



EUROPEAN CENTRAL BANK



# **EVALUATION OF THE 2002 CASH CHANGEOVER**

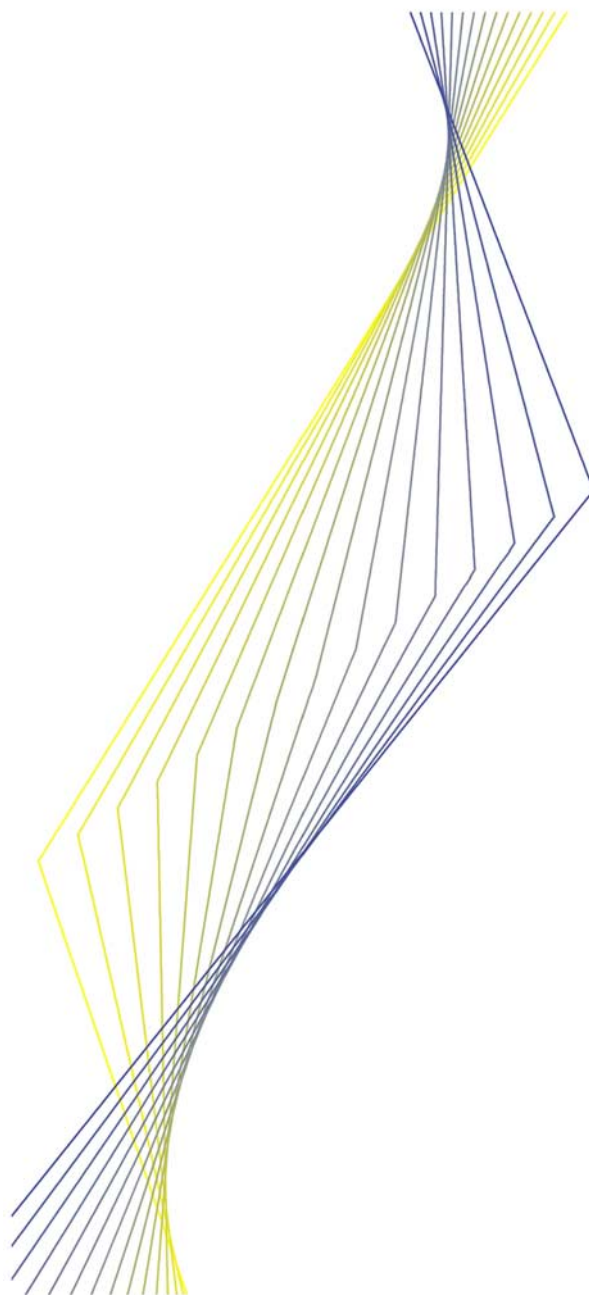
April 2002







EUROPEAN CENTRAL BANK



**EVALUATION  
OF THE 2002  
CASH CHANGEOVER**

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# CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>7</b>
<b>INTRODUCTION .....</b>	<b>10</b>
<b>SECTION 1 – PREPARATIONS FOR THE CASH CHANGEOVER .....</b>	<b>11</b>
<b>1. Production of initial supply .....</b>	<b>11</b>
<b>2. Changeover framework .....</b>	<b>11</b>
2.1 Frontloading and sub-frontloading to certain target groups as from 1 September 2001 .....	13
2.2 Debiting model .....	15
2.3 Additional measures to ensure a smooth changeover .....	15
2.4 Coverage of risks .....	16
2.5 Compensation of costs .....	16
<b>3. Extension of Article 52 arrangements.....</b>	<b>18</b>
<b>4. Changeover outside the euro area.....</b>	<b>18</b>
4.1 Frontloading arrangements .....	18
4.2 Other Eurosystem activities in support of the changeover outside the euro area.....	19
4.3 Strategies of the authorities outside the euro area .....	20
<b>5. Collaboration with third parties .....</b>	<b>21</b>
5.1 Testing arrangements .....	21
5.2 Training of professional cash handlers .....	22
<b>6. Measures to assist the withdrawal process.....</b>	<b>23</b>
6.1 Campaigns to attract the exchange of hoarded coin by the general public .....	23
6.2 Marking schemes .....	24
<b>7. Measures to combat counterfeiting.....</b>	<b>24</b>
<b>8. Communication policy .....</b>	<b>25</b>
<b>9. Establishment of a stock management system for the changeover period.....</b>	<b>26</b>
<b>SECTION 2 – HOW THE CHANGEOVER PROGRESSED .....</b>	<b>27</b>
<b>1. Frontloading of fiduciary currency between September and December 2001 .....</b>	<b>27</b>
<b>2. Monitoring the cash changeover .....</b>	<b>31</b>
<b>3. Circulation of the euro cash.....</b>	<b>32</b>
<b>4. Withdrawal of the legacy currencies .....</b>	<b>34</b>
<b>5. Adaptation of automated teller machines (ATMs) .....</b>	<b>35</b>
<b>6. Adaptation of the cash-operated industry.....</b>	<b>36</b>
<b>7. Marking schemes.....</b>	<b>37</b>
<b>8. Counterfeiting.....</b>	<b>38</b>
<b>9. Changeover outside the euro area.....</b>	<b>39</b>
<b>10.Stocks of euro banknotes and coins during the changeover period .....</b>	<b>40</b>
<b>11.Communication policy implementation .....</b>	<b>40</b>

<b>SECTION 3 – PROBLEMS AND LESSONS LEARNED .....</b>	<b>42</b>
<b>1. Bottlenecks in the process of withdrawal of national banknotes and coins.....</b>	<b>42</b>
<b>2. Adaptation of cash-operated machines.....</b>	<b>43</b>
<b>3. Inflationary impact of the cash changeover .....</b>	<b>43</b>
<b>4. Length of dual circulation period.....</b>	<b>44</b>
<b>5. No incidents of professional euro banknote counterfeiting.....</b>	<b>44</b>
<b>SECTION 4 – THE ROLE OF CASHCO IN THE CASH CHANGEOVER PROCESS .....</b>	<b>45</b>
<b>1. Risk Analysis related to the Cash Changeover process.....</b>	<b>45</b>
<b>2. Co-ordination of logistics of the changeover .....</b>	<b>46</b>
<b>3. Communication Policy and Crisis Communication Procedures.....</b>	<b>46</b>
<b>4. Cash Changeover outside the euro area .....</b>	<b>47</b>
<b>5. Monitoring the milestones relating to the cash changeover.....</b>	<b>47</b>
<b>6. Co-operation with Third Parties.....</b>	<b>48</b>
<b>7. Preparation for the changeover weekend.....</b>	<b>48</b>

## **Annexes**

<b>Annex 1 - Envisaged scenarios of the euro area for the 2002 cash changeover as at 20 December 2001 .....</b>	<b>49</b>
<b>Annex 2 - Guideline of the European Central Bank of 10 January 2001 adopting certain provisions on the 2002 cash changeover (ECB/2001/1).....</b>	<b>58</b>
<b>Annex 3 - Contractual or statutory penalties for putting banknotes or coins into circulation before 1 January 2002.....</b>	<b>68</b>
<b>Annex 4 - An easy guide to the changeover.....</b>	<b>70</b>
<b>Annex 5 - Guideline of the European Central Bank of 20 July 2000 on the implementation of Article 52 of the statute of the European System of Central Banks and of the European Central Bank after the end of the transitional period (ECB/2000/6).....</b>	<b>72</b>
<b>Annex 6 - Guideline of the European Central Bank of 13 September 2001 adopting certain provisions on the frontloading of euro banknotes outside the euro area (ECB/2001/8) .....</b>	<b>75</b>
<b>Annex 7 - Guideline of the European Central Bank of 25 October 2001 amending guideline ecb/2000/6 of 20 July 2000 on the implementation of article 52 of the statute of the European System of Central Banks and of the European Central Bank after the end of the transitional period (ECB/2001/10).....</b>	<b>82</b>
<b>Annex 8 - Agreement between the European Police Office – EUROPOL – and the European Central Bank – ECB – .....</b>	<b>85</b>
<b>Annex 9 - Statistical overview on the progress of the 2002 cash changeover .....</b>	<b>93</b>

## Tables

<b>Table 1</b> - Frontloading of banknotes to credit institutions inside the euro area .....	27
<b>Table 2</b> - Frontloading of coins to credit institutions inside the euro area .....	28
<b>Table 3</b> - Sub-frontloading of banknotes by credit institutions to residents of the euro area.....	29
<b>Table 4</b> - Sub-frontloading of coins by credit institution.....	30
<b>Table 5</b> - Frontloading of banknotes by NCBs to central banks and wholesale banks outside the euro area (in millions of euro).....	31
<b>Table 6</b> - Adaptation of the ATMs across the euro area.....	36
<b>Table 7</b> - Adaptation of the cash-operated industry across the euro area.....	37

## Charts

<b>Chart 1</b> - Development of banknotes in circulation as from 1 January 2002 .....	32
<b>Chart 2</b> - Circulation of euro banknotes during January 2002, broken down by denomination.....	33
<b>Chart 3</b> - Circulation of euro coins in January 2002, by denomination.....	34
<b>Chart 4</b> - Withdrawal of national banknotes during the changeover period.....	35

## Abbreviations

ATM	automated teller machine
BANCO	Banknote Committee
CashCo	Eurosystem Cash Changeover Co-ordination Committee
CIT	cash-in-transit
ECB	European Central Bank
ECCA	European Currency Testing Association – does not exist anymore, changed to ABAM (Association of Bill Acceptor Manufacturers)
ECCO	External Communications Committee
ECOFIN	EU Council meeting in the composition of the ministers of finance and economy
EPR	euro progress ratio
ESCB	European system of central banks
ETGV	European Tobacco Wholesalers Association
EU	European Union
Euromat	European Federation of Coin Machine Associations

EVA	European Vending Association
IWG	Issue Working Group
LEGCO	Legal Committee
NAC	national analysis centre
NCB	national central bank
PIL	public information leaflet



## THE 2002 CASH CHANGEOVER

### EXECUTIVE SUMMARY

Despite the scale of the challenge to introduce euro banknotes and coins as the sole legal tender for the 12 euro area countries, the process went very smoothly and was successfully completed by end-February 2002 throughout the area. Its success can be attributed to the early and meticulous preparations of all the parties involved, as well as the enthusiastic acceptance of the public for their new currency. Apart from the preparations for the actual production of the required volumes of banknotes, the most crucial areas in which early and thorough preparations paid off were the following:

- The basic **general framework** for the changeover – including national changeover scenarios – was agreed at European level in 1999 and 2000. *Inter alia*, the framework specified the timetable for frontloading and sub-frontloading operations and also the corresponding debiting model which would be applied for the credit institutions. The frontloading and sub-frontloading operations proceeded essentially as planned and were deemed successful and, given the huge amounts involved, probably constituted the key element in the smoothness of the changeover. The banking sector was ready to put euro cash into circulation and retailers were ready to give change in euro from the very first days of 2002.
- **Collaboration with third parties** was also a crucial element which enabled, *inter alia*, the organisation of national and centralised testing for manufacturers of cash handling machines. Under normal circumstances, approximately 70% of cash is distributed via automated teller machines (ATMs) and therefore preparations in this area played an essential role in the smoothness of the changeover. In fact, virtually all the ATMs in the euro area were adapted and functioning smoothly within four days. Adaptations by the cash-operated industry took somewhat longer than other elements of the changeover, due to the large number of machines to be modified and the limitations under which the industry operates. Collaboration with third parties also allowed for the early training of professional cash handlers, who evidently handled the new currency with confidence right from the start.
- The **withdrawal of the legacy currencies** was a significant part of the logistical challenge of the changeover and several measures were taken in this field. First, many countries held national campaigns to encourage a timely handing-in and exchange of coins held by the general public. Schemes for the “marking” of national banknotes were implemented in three countries (although schemes were formally approved in five countries) and were deemed successful in deterring organised crime from stealing large volumes of the outgoing currencies.
- **Communications** played an important part in the success of cash changeover in three respects: (1) the information campaign provided the general public with information about the new banknotes

and coins; (2) a communication policy for the changeover period was established which emphasised the ECB/Eurosystem responsibilities in the cash changeover and provided reliable and regularly updated information on the changeover, and (3) crisis communication procedures were drawn up in case of need during the changeover. In the event, no such procedures were necessary.

- Although euro banknotes incorporate state-of-the-art security features, several additional measures were taken to combat the *threat of counterfeiting*. These included raising public awareness of the security features as well as establishing a sophisticated system to analyse counterfeits which incorporates a central counterfeit analysis centre at the ECB, national analysis centres (NACs) in each of the euro area countries and close co-operation with Europol and Interpol. Up to the end of February, a total of 1,485 counterfeits, all of very poor quality, were reported by the NACs. Clearly, the potentially serious risks posed by a flood of counterfeits at the start of the year did not materialise. The level, when compared with previous experience with the legacy currencies, has indeed been very low.
- The central reserve stock of euro banknotes, established by the Governing Council as an “insurance policy” against quality and quantity risks, was an important measure and, given the exceptionally high demand for low-denomination euro banknotes, proved useful for some central banks. As 1 January 2002 approached, there were fears that shortages of euro banknotes, especially the low denominations, could occur. In order to ensure a quick response to this scenario, a *stock management system* for the changeover was established.
- Given the quantities of legacy currencies which circulated *outside the euro area*, the changeover there also received a significant amount of attention. The main preparations included adequate frontloading and sub-frontloading arrangements as well as information for the public in those regions in the relevant languages. Preparations were also made by the authorities in each of the countries and the changeover went very well there, too.

Despite the smoothness of the changeover, some *problems did occur*, e.g. the bottlenecks during the withdrawal of the legacy currencies, especially of the coins. This problem occurred in most euro area countries due to a shortage of transportation, storage and handling capacity, but it eased gradually after several weeks. The relatively slow changeover made by the cash-operated industry was also a concern, but this did not cause significant problems in the end. The fear of inflation proved very difficult to allay given the problems in accurately measuring the actual impact of the changeover on prices. Although prices clearly increased in January 2002, this was largely due to exceptional and short-lived factors. However, while it is extremely difficult to isolate the inflationary impact of the changeover from other factors with any degree of precision, there was no evidence of a significant impact on prices at the aggregate level as a result of the cash changeover. Finally, there were a few critical comments about the two-month dual circulation period being too long and that a shorter period, like in the Netherlands,

Ireland and France, would have been better. On balance, it was thought that the two-month period was reasonable and indeed was required by some parties, e.g. the cash-operated industry. It is likely that at least some of the problems encountered could have been accentuated, at least in some countries, by having a shorter dual circulation period.

At its meeting on 15 March 2001, the Governing Council decided to establish the Eurosystem Cash Changeover Co-ordination Committee (CashCo). This Committee, consisting of senior officials from all of the Eurosystem central banks, had a comprehensive overview of cash changeover issues in their respective central bank and bore overall responsibility for the co-ordination of the changeover to euro banknotes and coins relating to the period before 1 January 2002 and during the withdrawal period up to the end of February 2002. While *CashCo served as a central co-ordinating body* for the changeover process, most of the preparatory work had already been carried out either at national level or under the aegis of the two ESCB Committees on banknote issues and external communications. Some of CashCo's most important work included an evaluation of the risks associated with the changeover and the corresponding contingency measures in place across the euro area. Other issues co-ordinated by CashCo comprised information on the logistics of the changeover, including preparations for the changeover outside the euro area, crisis communication procedures and a communication policy for the changeover period, co-operation with third parties, the milestones relating to the changeover and preparations for the actual changeover weekend as well as issues relating to the changeover addressed by other ESCB Committees. CashCo has fulfilled the mandate given to it by the Governing Council and has thus been dissolved.

## THE 2002 CASH CHANGEOVER

### INTRODUCTION

The introduction of euro banknotes and coins in the euro area presented, in many respects, a huge challenge. In addition to producing more than 15 billion banknotes in 15 printing works across the euro area to the same quality standards using raw materials from different suppliers, the logistics of the actual changeover process was also an enormous undertaking requiring very early preparations and intense discussions at several levels in order to ensure a smooth and successful transition. With the cash changeover, a historic event in the history of Europe, now complete, it can be declared a success. It has proceeded very well and in many respects better than expected. The success can be attributed in no small part to the quality of the preparations made by all sectors involved and at all levels as well as to the enthusiastic reception given by the public in the euro area to their new banknotes and coins. The communication efforts, in particular the *Euro 2002 Information Campaign*, were also instrumental in this success.

At the Eurosystem level, the co-ordination of a significant amount of preparatory work was initially carried out by the ESCB Committee dealing with banknote issues, i.e. the Banknote Committee (BANCO) and its Sub-Group, the Issue Working Group (IWG). However, it was considered necessary to create a special committee to ensure that the Eurosystem was working in a co-ordinated way regarding the cash changeover process and was in control of any problems that could arise. Accordingly, it was decided by the Governing Council, at its meeting on 15 March 2001 when the preparations for the changeover were gaining momentum and the work involved was increasing, to establish the Eurosystem Cash Changeover Co-ordination Committee (CashCo). CashCo was entrusted with overall responsibility for the co-ordination of the changeover to euro banknotes and coins relating to the period before 1 January 2002 and thereafter during the withdrawal period up to the end of February 2002.

This report presents a comprehensive overview of the changeover process. Section One describes the details of the preparatory work carried out, while Section Two analyses the actual progress of the changeover itself. Section Three highlights some lessons learned as a result of the experience of the overall process. Finally, Section Four deals specifically with the role of CashCo and the work it carried out.

## **SECTION 1 – PREPARATIONS FOR THE CASH CHANGEOVER**

### **1. Production of initial supply**

Of course, one of the first steps was to establish a production schedule which would guarantee a sufficient supply of euro banknotes to replace the legacy currencies from 1 January 2002 onwards. The production scenario for the initial supply of euro banknotes agreed by the Governing Council was based on a fully decentralised arrangement, with no pooling of production (apart from a few bilateral arrangements). Under this production scenario, each NCB determined its own required launch volumes (including launch and logistical stocks), and requested an overall formal authorisation from the Governing Council to produce these volumes before 31 December 2001. These launch volumes were reviewed annually as from 1998.

Production schedules were established by all printing works and progress was monitored regularly by the ECB, including those issues which were potential risks to production. Quarterly reports on the status of production were submitted to the Governing Council and production remained more or less on schedule. In addition to the launch and logistical stocks, the Governing Council decided to establish a Eurosystem Central Reserve Stock as an “insurance policy” against production shortfalls.

### **2. Changeover framework**

In order to ensure a smooth cash changeover, the logistics had to be determined well in advance to allow enough time for all those concerned to make the necessary preparations. One specific measure adopted by the Governing Council early in 1999 was the establishment of a “Joint Task Force for the Logistics of the 2002 Cash Changeover”, under the aegis of the ESCB Legal Committee (LEGCO) and the BANCO, to prepare the legal and contractual arrangements for the frontloading. The legal and contractual arrangements required a harmonised approach to the banknotes and coins and also required a precise definition of the two sets of relationships, namely: (i) that between the NCBs and commercial banks and security carriers; and (ii) that between commercial banks and security carriers on the one hand, and other organisations (e.g. retailers and vending companies) on the other.

During the second half of 1999, there were intensive discussions with all those involved, which enabled Finance Ministers from participating Member States, in co-operation with the NCBs and in line with the views expressed by the ECB and the European Commission, to reach a consensus on the outline of the cash changeover as follows:

- *Euro area Member States would do their best to ensure that most cash transactions could be made in euro within a fortnight of 1 January 2002.*
- *Euro area Member States considered that the dual circulation for the old and new banknotes and coins should ideally last between four weeks and two months, but that Member States could facilitate the exchange of old banknotes and coins after this period.*
- *To make sufficient quantities available for circulation in the first few days of January 2002, it would be helpful if financial institutions and certain other groups, notably cash-in-transit companies and retailers, were provided with banknotes and coins some time before 1 January 2002. Member States could recall that such frontloading could not lead to the circulation of euro banknotes and coins before 1 January 2002.*
- *In order to help the public become familiar with the new coins and to support the changeover, Member States agreed that limited quantities of coins could be made available to the public on request – notably to vulnerable groups of the population – but not until the second half of December 2001.*

Within this general framework, the changeover scenario was a *national* responsibility. A document entitled “Envisaged scenarios of the euro area for the 2002 cash changeover” was updated regularly by the NCBs and appeared on the ECB website in all the official Community languages. The final English version, dated 20 December 2001, is attached as Annex 1.

With regard to the general framework, several principles for the financial modalities of the 2002 cash changeover were agreed by the Governing Council, following intensive discussions in the Joint Task Force for the Logistics of the 2002 Cash Changeover, and were laid down in the ECB Guideline of 10 January 2001 “*adopting certain provisions on the 2002 cash changeover (ECB/2001/01)*” (see Annex 2). The decisions on the modalities were reached taking into account the major role that credit institutions would play in making the 2002 cash changeover a success and they related to the following matters:

- frontloading/sub-frontloading (see paragraph 2.1 below);
- the debiting model for frontloading/sub-frontloading (see paragraph 2.2 below);
- additional measures to ensure a smooth changeover (see paragraph 2.3 below); and
- coverage of risks relating to frontloading/sub-frontloading (see paragraph 2.4 below).

Also considered by the Governing Council in this context was the compensation of costs relating to the cash changeover (also dealt with below, see paragraph 2.5).

### ***2.1 Frontloading and sub-frontloading to certain target groups as from 1 September 2001***

Following the agreement in the ECOFIN Council that the cash changeover period should be as short as possible, the Eurosystem recognised that the active frontloading of euro banknotes and coins to credit institutions and, sub-frontloading via the latter, to certain other target groups (i.e. in particular to retailers, the cash-operated industry and cash-in-transit companies) would be necessary. Consequently, the Governing Council of the ECB approved the start of frontloading and sub-frontloading of banknotes to professional target groups as from 1 September 2001. However, each euro area NCB was free to operate within the maximum lead time in order to meet frontloading needs. The four-month lead time was considered necessary in order to ensure that sufficient euro banknotes and coins were available for widespread circulation from 1 January 2002. The lead time also permitted more efficient transportation and logistics. In fact, the scale and timing of frontloading and sub-frontloading, which was organised at national level, varied considerably from one country to another, depending on the national changeover scenario, the national infrastructure (e.g. the structure of the central bank branch network and its role in the currency supply, storage facilities available in bank branches and transportation capacity) as well as the size and geography of the country (see the Envisaged Scenarios table - Annex 1).

While the success of the frontloading and sub-frontloading operations was crucial for a smooth cash changeover, it was also essential to ensure that no euro cash circulated prematurely on a scale which might pose a threat to the smoothness of the operation. In this regard, a penalty regime was established in each euro area country in order to deter the premature circulation of euro banknotes. Unfortunately, efforts to harmonise the penalty regimes did not succeed i) because of the difficulties to establish the amount of the damage caused to the Eurosystem by an infringement of the national frontloading rules; ii) as national implementation scenarios differed; and iii) since national legal systems, as well as national legislation applicable to contractual penalties, varied from one country to the next. The penalty levels varied from 2% of the euro banknotes that had been put into circulation before €-day, to 40% of the said amount (see Annex 3). The regimes aimed, on the one hand, to make the early circulation of euro banknotes less likely, but on the other hand, because of their severity, they may have impeded sub-frontloading operations and therefore endangered the Eurosystem's objective of a smooth cash changeover. While discussions took place regarding the severity of some of the penalty regimes and their possible impediment to frontloading operations, there is little evidence to suggest that impediments actually occurred.

### Frontloading to the general public

According to the ECOFIN Council statement mentioned above, euro coins could be sub-frontloaded to the general public as of mid-December 2001 and all participating countries decided to do so. The issue of whether or not to make euro banknotes available to the general public prior to 1 January 2002 was comprehensively assessed by the Governing Council, which took into account the practical, technical, and legal aspects involved and which also deliberated on the matter from a broader and less specialised perspective. Furthermore, the assessment took into consideration several discussions with the competent professional organisations. On the basis of this thorough assessment, the Governing Council decided that the disadvantages of sub-frontloading euro banknotes to the general public outweighed the advantages and that therefore euro banknotes would only be issued to the general public as of 1 January 2002. This decision, which was made public by the ECB on 7 January 1999, and which was reiterated several times thereafter, was supported by the ECOFIN Council in Versailles in September 2000.

Irrespective of the enormous pressure exerted by various interest groups, and also by the European Parliament, in favour of sub-frontloading banknotes to the general public, the Governing Council felt that its original decision was justified for several reasons:

- sub-frontloading of the banknotes might have caused confusion among the general public, as it was not possible to prevent people from using them prior to 1 January 2002. Moreover, it would have been difficult to protect people from those seeking to gain advantage from such confusion;
- sub-frontloading of coins *only*, as from the second half of December 2001, seemed to entail limited risk, given their low values and their general use as change;
- concerns about possible cash bottlenecks at retail outlets were primarily related to the availability of coins, i.e. of sufficient change, rather than of banknotes. Hence, the sub-frontloading of coins to the general public helped retailers in this respect. By contrast, the majority of banknotes came into circulation via ATMs;
- in addition, the logistics of introducing coins was more complex because of their weight. While this was a good argument in favour of sub-frontloading coins to the general public, it did not hold true for banknotes;
- finally, in practice, sub-frontloading of euro banknotes could only be done by banks, either via ATMs or at bank counters. However, sub-frontloading via ATMs was not a practical solution as this would have disrupted the distribution of national banknotes at a time when the circulation of cash was in any case exceptionally high. Hence, sub-frontloading of euro banknotes could only have been done via bank counters, imposing an extra workload on banks during several very busy days at the end of December; and



- as time went by, it became increasingly undesirable to make changes to the already adopted framework because of the commitment of other parties to the agreed scenarios.

## ***2.2 Debiting model***

The agreed debiting model for frontloaded and sub-frontloaded euro banknotes was simple and easy to implement and did not interfere in the relationship between credit institutions and their clients. In accordance with this model, euro cash frontloaded to credit institutions was debited, taking into account the provisional settlement dates of the first, fourth and fifth main refinancing operations in 2002 respectively. Thus, one-third of the frontloaded euro cash was debited at the time of each of the main refinancing operations on 2, 23 and 30 January 2002. Euro cash delivered and returned to credit institutions as from 1 January 2002 has been debited/credited according to current practice. Equally, cash denominated in national currency units, returned to credit institutions as from 1 January 2002 has been credited according to current practice. The Treasuries of all participating Member States adopted the debiting model also for frontloaded coins.

## ***2.3 Additional measures to ensure a smooth changeover***

The Eurosystem was well aware of the importance of achieving a smooth cash changeover in order to maintain and enhance both public and financial market confidence in the single currency. One of the main concerns expressed about the cash changeover was the need for retailers to hold large amounts of cash during the first few days of 2002. In order to address this concern, and in line with the recommendation of the European Commission, a number of measures were taken at national level. In particular, several countries agreed to:

- replace higher national denominations in ATMs with lower ones at the end of 2001 so as to ensure that small amounts could be readily paid, thus reducing the need for retailers to have large cash holdings;
- modify ATMs to dispense euro banknotes as of 1 January 2002, and in particular low-denomination ones since under normal circumstances, in terms of transactions, around 70% of banknote withdrawals are made via ATMs;
- establish temporary exchange points in supermarkets;
- make welfare payments, which in some countries are largely in cash, using low banknote denominations; and
- to convey certain messages in the Euro 2002 Information Campaign, such as: "minimise mixed payments", "minimise cash holdings before the end of 2001", "start using euro banknotes and coins as soon as possible", and "offer the exact amount in payment wherever possible" (see the "Common

Messages for the cash changeover”, which were made available on the ECB website in all the official Community languages, in Annex 4). The various campaigns at national and Community levels were intended to help the public to contribute to a smooth cash changeover.

#### **2.4 Coverage of risks**

The Governing Council approved the scheme for the coverage of risk related to frontloading and sub-frontloading, which can be roughly summarised as follows:

- Frontloading to credit institutions up to 31 December 2001 was allowed without collateral on the basis of an agreement whereby ownership of the non-legal tender cash was retained by the central banks of the Eurosystem. If, in some countries, the coverage of the credit risk by retention of ownership was not legally feasible, collateralisation could also be used without necessarily implying a collateralisation in all other countries. If, for legal reasons, neither a retention of property rights nor a collateralisation through pledging arrangements was possible, a cash collateral in the form of a deposit on a dedicated account remunerated at the same rate as required for the minimum reserves could also have been envisaged.
- Delivery of collateral from credit institutions to the NCBs of the Eurosystem was required by the end of the last business day of 2001 (due to the operating dates of payment and/or delivery versus payment systems) for the amounts of frontloaded cash delivered until 31 December 2001 that had not been debited or otherwise collateralised, in order to cover the financial risk of default on payment until actual debiting.
- The credit institutions were required to assume coverage of the risks of destruction, theft or robbery either by subscribing to an insurance policy or by providing collateral.
- Credit institutions had to cover the risk of anticipated public use of the frontloaded cash by accepting penalty clauses, inspections and auditing in their frontloading contract with the central banks of the Eurosystem, and similar arrangements with retailers in sub-frontloading arrangements.
- Sub-frontloading performed by credit institutions required the delivery to the NCBs of appropriate collateral, since the retention of ownership did not legally provide adequate protection against the credit risk once the cash had left the credit institutions.

#### **2.5 Compensation of costs**

At the meeting of the Eurogroup on 16 October 2000, Ministers of the euro area considered requests by a number of business sectors for compensation for costs related to the changeover to the euro. While acknowledging the existence of these costs, Ministers held the view that the costs were relatively low compared with future gains for all business sectors and should be considered as an investment for the common good. As a result, Ministers agreed that changeover costs should in principle be borne by the sectors where they arise.

Bearing this agreement in mind, the Governing Council considered compensation for costs relating to the 2002 cash changeover, in particular the costs incurred by banks associated with holding additional liquidity during the cash changeover period. The Governing Council agreed that:

- as a general rule the debiting model should remain the only instrument at the Eurosystem level which will neutralise costs, namely the additional liquidity costs incurred by the banks;
- subject to “grandfathering” those compensation measures and arrangements already announced by the NCBs, the introduction of restricted and specific exceptions should be possible, provided that certain conditions were fulfilled. To this end, the compensation schemes would in particular have to:
  - (i) be implemented with a view to smoothening the logistics of the cash changeover, and
  - (ii) comply with the equal treatment principle and avoid significant cross-border spillover effects.

At the same time, the Governing Council stressed that the Eurosystem should in no way become involved in compensating banks for the operational costs of the changeover.

The following NCBs schemes had either been grandfathered or were subsequently approved according to the terms at (i) and (ii) above:

#### *Germany*

The Bundesbank established a bonus system that set incentives for the banks to be frontloaded in the denominations EUR 5, 10, 20, 50 and 100 at an early stage:

- 0.36 thousandths of the amounts frontloaded in September 2001;
- 0.24 thousandths of the amounts frontloaded in October 2001; and
- 0.12 thousandths of the amounts frontloaded in November 2001.

In addition, for the third-party production of coin starter kits for the retail sector, the Bundesbank paid EUR 400 to the banks for each frontloaded coin container.

#### *Belgium*

The Banque Nationale de Belgique bore the transportation costs related to the frontloading of euro banknotes and coins (EUR 0.01 per euro note and EUR 0.50 per kilogram of euro coins) as well as the costs of transportation, counting and sorting related to the demonetisation of coins in Belgian francs.

#### *The Netherlands*

In view of the additional work that banks and institutions engaging in cash transactions incurred when accepting national coins, they received a fee (on average 6% of the value) for delivering such coins to De Nederlandsche Bank. In addition, De Nederlandsche Bank organised and paid for capacity provided by the two cash transporting services operating in the Netherlands and which was used in an equitable

manner to support the banks and the larger enterprises that did not use the coin distribution service provided by the central bank.

#### *Ireland*

The Central Bank of Ireland paid a lodgement fee on returns of Irish notes (0.1% of value) and Irish coins (EUR 4.44 per bag).

#### *Portugal*

The Banco de Portugal compensated the banks with EUR 0.035 per frontloaded banknote.

#### *Spain*

The Banco de España paid EUR 2.444 per one thousand euro coins requested for the frontloading and EUR 7.322 per one thousand banknotes requested for the frontloading.

### **3. Extension of Article 52 arrangements**

Since 1 January 1999, in accordance with Article 52 of the EU Treaty and following a decision of the Governing Council, each participating NCB or its authorised agent has been offering, at one location at least, to exchange the banknotes of other participating countries at the official conversion rate. In July 2000 the Governing Council decided to extend the current Article 52 arrangement beyond 2001 until the end of March 2002 when national currency units would be exchanged against euro. In this regard, the Governing Council adopted an ECB Guideline “*on the implementation of Article 52 of the status of the ESCB and of the ECB after the end of the transitional period (ECB/2000/6)*” (see Annex 5).

In accordance with the above, some 500 NCB branches throughout the euro area were involved in the exchange of non-national euro area banknotes. In addition, the NCBs may repatriate the banknotes of other participating countries or appoint an agent to perform this repatriation service on their behalf or use existing commercial repatriation channels. From a practical point of view, the exchange within the framework of Article 52, which was considered as a direct service to the general public and which may ultimately influence the level of fees charged by the banks for these services in the future, has run smoothly in all the participating Member States since 1999.

### **4. Changeover outside the euro area**

#### ***4.1 Frontloading arrangements***

A significant number of banknotes issued by the NCBs of euro area countries had been circulating outside the euro area, especially in the accession countries and other neighbouring countries. For example, it was estimated that around 30% to 40% of Deutsche Mark banknotes in circulation were held outside Germany, with the majority probably in eastern and south-eastern Europe (including Turkey).

Therefore, every effort was made to ensure a smooth cash changeover also outside the euro area. The framework for the changeover outside the euro area was built upon three pillars:

- (i) In accordance with the ECB Guideline of 10 January 2001 “*adopting certain provisions on the 2002 cash changeover (ECB/2001/01)*” (see Annex 2), banks were allowed to distribute frontloaded euro banknotes to their branches and headquarters located outside the euro area as from 1 December 2001. In addition, the Guideline allowed frontloaded banks, from the same date, to sub-frontload to their subsidiaries outside the euro area, as well as to other banks with registered/head offices and branch networks outside the euro area. However, sub-frontloading to retailers, for example, was not allowed outside the euro area.
- (ii) The Governing Council of the ECB decided, as laid down in an ECB Guideline of 13 September 2001 “*adopting certain provisions on the frontloading of euro banknotes outside the euro area (ECB/2001/8)*” (see Annex 6), that central banks and monetary authorities of non-participating Member States and other countries could be frontloaded upon request as from 1 December 2001, subject to specific terms and conditions. All operational and practical arrangements for such frontloading were taken care of bilaterally by the euro area NCB concerned and the counterparty central bank. Central banks outside the euro area were allowed to sub-frontload to credit institutions within their respective jurisdictions as from 1 December 2001 in accordance with certain rules.
- (iii) The Governing Council of the ECB decided that non-euro area credit institutions operating in the worldwide wholesale banknote market could be frontloaded by NCBs and could sub-frontload to their customers. The detailed terms and conditions, which were in principle the same as those imposed on foreign central banks, were also laid down in the ECB Guideline mentioned in (ii) above (ECB/2001/8) (see Annex 6).

#### ***4.2 Other Eurosystem activities in support of the changeover outside the euro area***

As well as initiatives to ensure sufficient frontloading outside the euro area, other activities were also undertaken within the Eurosystem to support the changeover outside the euro area. One such activity was the provision of technical assistance to central banks outside the euro area. In particular, several NCBs organised extensive assistance programmes, especially in those regions where they have long-term contacts with authorities and/or benefit from linguistic comparative advantages (for instance, Deutsche Bundesbank and Oesterreichische Nationalbank in central and eastern Europe, including Russia; Banque de France in the Mediterranean and sub-Saharan Africa). The ECB organised four seminars with selected central banks, in April and October 2001, on communication to the public and on the security features.

The translation and distribution of information material in 23 languages also represented very significant support by the Eurosystem for the changeover outside the euro area. This issue is analysed to a greater extent in Section 2 of this report. Other activities included problem-solving on specific changeover questions, at the request of central banks and other authorities, and participation in events organised by delegations of the EU Commission and other authorities.

### ***4.3 Strategies of the authorities outside the euro area***

The strategies adopted by authorities outside the euro area to ensure a smooth changeover varied depending on the extent and nature of the use of the euro (legacy currencies) there. In those countries or territories where the euro is either legal tender or used as the primary means of transaction (such as Kosovo and Montenegro), authorities were confronted with needs similar to those of the Eurosystem in the euro area. They organised communication campaigns for the general public, set binding rules for the modalities of changeover, and in some cases took direct responsibility in euro banknotes distribution. In other countries, where the banking system is better developed (e.g. Croatia, Hungary, Turkey) or where legacy banknotes were expected to be relatively less significant (e.g. Russia), authorities took a different stance. They organised information campaigns and set some general rules, but left it to credit institutions to play the main part in the cash changeover.

In many central and east European countries, authorities and commercial banks actively encouraged citizens to deposit their cash holdings with credit institutions, arguing that depositing cash would permit a free-of-charge conversion of savings. Credit institutions (and in particular foreign-owned banks) widely advertised the possibility of opening euro accounts at favourable conditions. This strategy also reduced the logistical complexity and transaction costs associated with changeover-related operations, and even more importantly, it supported the banking system in countries where the public had lost confidence in banks.

In some countries, the goal of strengthening the domestic banking system has been pursued through additional, more indirect, measures. For instance, in countries where residents are not allowed to hold foreign cash, authorities have exceptionally authorised citizens to exchange legacy currencies into domestic banknotes (or to convert them into domestic currency-denominated accounts), instead of being subject to sanctions. In other countries, for example in Russia, authorities have particularly stressed “risks” associated with the use of the new euro banknotes, explicitly encouraging the public to either deposit cash holdings in euro-denominated accounts or to sell euro-area legacy currencies for domestic or foreign currency banknotes.

## **5. Collaboration with third parties**

In order to ensure a smooth cash changeover in a short period of time via systematic and co-ordinated interaction by all the leading actors, the Eurosystem had to work closely on the preparations not only with the banking sector. Security carriers, retailers and the cash-operated industry also needed to be involved at an early stage. Against this background, the ECB provided a forum for an exchange of views comprising all European parties involved (e.g. European Credit Sector Associations and Foreign Exchange Operators, Eurocommerce, cash-operated industry (EVA, Euromat, ECCA, ETGV), European Security Transport Association, Euro Working Group (consumer organisation), NCBs, mints, European Commission); as from 1997, meetings were held twice per year. The ECB also regularly participated in meetings organised by the Commission with third-party organisations (“Groupe Consultatif”) and the cash-operated industry. Furthermore, some specific measures were taken well in advance of January 2002 to ensure full familiarity with the euro banknotes and coins:

### ***5.1 Testing arrangements***

All companies which needed to adapt their cash equipment, e.g. ATMs, vending machines etc., to the euro were given an opportunity to test the euro banknotes well in advance of the changeover. Each company was required to prove a business need to test the euro banknotes at that early stage and to sign an Agreement of Non-disclosure of Confidential Information before receiving confidential information on the euro banknotes. In 1999 the companies received a general information package on the euro banknote specifications (e.g. dimensions, dominant colour and paper opacity), including a reference to the security features, and a more detailed information package covering the position and tolerances of most of the security features.

In January 2000 the Governing Council agreed on the testing procedures for that year. Subsequently, two centralised test series were offered in May and September 2000 to equipment manufacturers under the supervision of the ECB. A total of 54 companies from EU and non-EU countries participated in the two centralised test runs. In December 2000 the Governing Council approved a framework for decentralised euro banknote tests for the machine industry and the banking sector in 2001. Accordingly, as from March 2001, these tests were organised at national level by the NCBs. Test centres were established in all 12 euro area countries and the United Kingdom. The scope for the decentralised test runs in 2001 was extended to service suppliers (e.g. companies that install or maintain ATMs, teller assistant machines and banknote accepting, detecting and sorting machines) and national Credit Sector Associations and banks, respectively. More than 150 parties participated in the tests. The test centres will continue to offer the

possibility of testing euro banknotes from different production sites and runs until July 2002 if there is a need in the respective country.

Furthermore, in-house tests were allowed as part of the frontloading operation as from 1 September 2001. This meant that parties entitled to be frontloaded/sub-frontloaded were able to carry out in-house tests, which facilitated the adaptation of machines and contributed to a smooth changeover.

Taking the above factors into account, the Governing Council decided in June 2001 that euro banknotes could be made available also to non-euro area manufacturers to enable them also to adapt their machines in time for the cash changeover. In this context, it was deemed appropriate, mainly for logistical reasons, to centralise the delivery of such banknotes. Therefore, the Deutsche Bundesbank was authorised to sell euro banknotes to non-euro area manufacturers which had already participated in the euro test runs and which had signed an Agreement on the Non-disclosure of Confidential Information. Eligible non-euro area manufacturers could purchase euro banknotes at face value and transport them to their premises in accordance with certain terms and conditions.

## **5.2 Training of professional cash handlers**

Following requests from the banking and retail sectors and police authorities for an early preparation of their trainers, the Governing Council decided that training sessions on euro banknotes could be conducted as of January 2001. These training seminars were aimed at trainers (multipliers) and took place in several NCBs under secure conditions, which *inter alia* ruled out that any information related to the security features was passed on to third parties until the official unveiling on 30 August 2001.

After that date, the ECB made available training materials which were used by the multipliers at the NCBs, the police and the banking and retail sectors to familiarise professional cash handlers with the euro banknotes. The main training tool for the multipliers was the training kit (totalling around 213,000 units in all the official Community languages), comprising an interactive CD-ROM and a video, both focusing on the security features, and a training brochure on the security features and the general changeover messages.

Once frontloading/sub-frontloading started, commercial businesses trained their staff by using frontloaded/sub-frontloaded euro cash. Leaflets showing the security features of each euro banknote were prepared by the ECB for distribution to professional cash handlers; the total print run in all official Community languages was around 3.9 million copies. Some NCBs and businesses/institutions which co-operated with the Eurosystem as official partners issued additional copies of the training materials and other information media, which were primarily targeted at the general public, but could also be used for



training. One important medium, which was translated not only into the eleven Community languages but also into 23 additional languages, mainly those used in eastern Europe, was the public information leaflet "Getting ready for the euro".

After the unveiling of the security features, the ECB organised in September and October 2001 training seminars for partner organisations and for delegates from central banks of accession and neighbouring countries. The central banks co-operated in the translation of the public information leaflet and conducted their own training sessions in their countries, assisted by euro specimen banknotes which the ECB made available worldwide as of 1 October 2001. In December 2001 the ECB President sent a letter to all central bank governors worldwide informing them about the introduction of euro banknotes and coins, referring to the downloadable master versions of information at the ECB's euro website and attaching *inter alia* a training kit.

## **6. Measures to assist the withdrawal process**

As well as general preparations for the withdrawal of the legacy currencies, i.e. preparation of retailers, banks and cash-in-transit (CIT) companies in terms of transportation and security capacity, insurance, opening hours etc., some euro area countries opted to introduce some specific measures which they considered would assist the overall withdrawal process.

### ***6.1 Campaigns to attract the exchange of hoarded coin by the general public***

Regarding the withdrawal of legacy currency coins, most national authorities tried to reduce the banks', retailers' and CIT companies' workload during the dual circulation period by encouraging the public to deposit coins at banks before the turn of the year; in addition, coins were collected through a range of charity schemes which had been introduced in some countries. Concurrently, there was also a considerable influx of hoarded national banknotes, particularly high denominations. In total, legacy currency banknotes in circulation fell during the course of the year by EUR 110 billion to EUR 270 billion at the end of 2001. As regards coins, the total circulation of national coins decreased in 2001 from a level of EUR 17.9 billion (i.e. average circulation in 2000) by 9% to EUR 16.3 billion. The relatively low decrease can be explained by the fact that coin circulation decreased during 2001 in only four countries (Belgium, Germany, the Netherlands and Austria), whereas in all the other countries there was an increase in circulation.

From a statistical point of view, the number of national coins in circulation at end-December 2001 was 116 billion coins (including losses and coins abroad).

## **6.2 Marking schemes**

Having considered the security and logistics of the withdrawal of banknotes, the governments of Italy, Spain, France, Belgium and Luxembourg decided to implement a scheme to “mark” certain banknotes denominated in Italian lire, Spanish pesetas and French, Belgian or Luxembourg francs from 1 January 2002 onwards. The “marking” was done by certain economic agents, such as post offices and credit institutions, and the banknotes were then immediately deposited with the respective NCB. An ECB Guideline “*amending Guideline ECB/2000/6 of 20 July 2000 on the implementation of Article 52 of the Statute of the ESCB and of the ECB after the end of the transitional period*”(ECB/2001/10) (see Annex 7) was adopted by the Governing Council on 25 October 2001 to ensure that marked banknotes would be treated in the same way as mutilated banknotes and were excluded from the exchange arrangements guaranteed under Article 52 of the Statute.

In summary, the marking took the following forms:

- Belgian and Luxembourg francs had a hole punched in the watermark area;
- French francs had a hole punched in the watermark area and two half holes at the edges;
- Spanish pesetas were cut on one of the four corners of the banknotes;
- Italian lire had a hole punched outside the watermark area in the centre of the banknote and two non-aligned half holes at the edges. For the ITL 1,000 and ITL 2,000 notes, a hole was punched on the left-hand side of the banknote and a half hole on the upper edge of the long side of the banknote.

Although the marking schemes were governed by national law, consistent treatment of marked banknotes was applied throughout the euro area by the relevant authorities.

## **7. Measures to combat counterfeiting**

Since euro banknotes have a widespread circulation, it can be assumed that counterfeiters will take an interest in them. The Governing Council therefore decided on measures to prevent counterfeiting, to monitor counterfeiting activities and to assist the law enforcement authorities in bringing counterfeiters to justice.

First, euro banknotes are protected against counterfeiting because they incorporate effective security features. The second area of the ECB’s activity in respect of anti-counterfeiting measures relates to publicity, information and educating the public. Third, the Governing Council has established a database to store technical and statistical data in respect of counterfeit euro banknotes and coins. As an important part of the envisaged information system on euro banknote counterfeits, it was also decided to set up a

central ESCB counterfeit analysis centre at the ECB, which carries out a technical analysis of euro banknote counterfeits, classifies them, and feeds the relevant technical data into the database. Fourth, contacts with Europol, Interpol and the European Commission have been either established or intensified with a view to making the appropriate communication and collaboration arrangements which are crucial to ensuring an effective flow of information in connection with the prevention and combating of counterfeiting. On 13 December 2001 the ECB and Europol signed an Agreement aimed at ensuring effective co-operation between both parties in the protection of the euro and the fight against counterfeiting (see Annex 8). A further agreement with Interpol, covering the handling of euro counterfeits found outside the European Union, is currently under preparation.

## **8. Communication policy**

A crisis communication procedure for any emergencies during the cash changeover was drawn up by CashCo and ECCO, and approved by the Governing Council.

In November 2001 a communication programme on issues directly linked to the Eurosystem competencies relating to the cash changeover was established, part of which involved a pro-active information flow in January 2002. This communication programme complemented the activities carried out by the NCBs and the Euro Changeover Information Network (European Commission) – mandated by the ECOFIN Council to pool and process information on the euro cash changeover – and focused on specific key indicators.

### ***Objectives of the communications programme***

- To stress the ECB/Eurosystem responsibility in the cash changeover process.
- To provide regular updates on the changeover from an authoritative source, and reassure the media/general public.
- To allow for crisis communication if the need arose.

### ***Timing***

It was decided to:

- issue daily press releases, at the same time every day, to the regular press contacts of the ECB and the NCBs, until the end of the second week in January. The press releases would be in English and the NCBs would thereafter be free to translate them into their respective national language(s);

- issue weekly press releases on Fridays until the end of January, plus one final press release on 28 February, the end of the dual circulation period. The ECB would offer this press release to the NCBs in the official languages of the euro area.

The series of press releases was announced in advance and all press releases were also published on the ECB's website.

### **9. Establishment of a stock management system for the changeover period**

As a result of the continuous revisions of the banknote production plans by NCBs, and the establishment of the central reserve stock during the preparatory phase, the Eurosystem built up sufficient stocks of euro banknotes prior to E-day to accommodate the demand for euro banknotes during the changeover period. However, shortly before the launch of the euro cash, there was some uncertainty about whether the stocks of low-denomination banknotes were sufficient to meet the actual demand inside and outside the euro area. Against this background, CashCo agreed on the methodology for a stock management system which would be used until the demand for euro banknotes stabilised in order to minimise the risk of banknote shortages at national level.

If NCBs were short of banknotes for the cash changeover, they could, in principle, first resort to the central reserve stock. In addition, all NCBs stood ready to provide surplus volumes from their logistical stocks for emergency transfers to NCBs lacking a particular denomination. In this respect, NCBs updated in December 2001 their forecast regarding the quantities needed until end-February 2002 and provided, in addition, detailed data regarding the minimum and maximum level of logistical stocks. This information enabled a central monitoring of the overall banknote stocks and yet ensured an effective basis for action in the event of a shortage at individual NCBs.

## SECTION 2 – HOW THE CHANGEOVER PROGRESSED

### 1. Frontloading of fiduciary currency between September and December 2001

#### *Frontloading within the euro area*

##### a) Banknotes

The timely and widespread pre-distribution of a “critical mass” of both euro banknotes and coins contributed fundamentally to the smooth changeover. From a logistical point of view, it can be regarded as the key factor in ensuring that the bulk of the cash transactions could be made in euro within a fortnight. During the frontloading period, the participating NCBs provided banknotes with a total value of EUR 129 billion to the banking system of the euro area (i.e. around 47% of the value of national banknotes in circulation at end-2001) and, more importantly, close to 80% of the needs in volume terms.

*Table 1: Frontloading of banknotes to credit institutions inside the euro area*

NCB	million euro	NCBs' share
Belgium	5,087	3.9%
Germany	56,953	44.2%
Greece	5,696	4.4%
Spain	10,325	8.0%
France	8,919	6.9%
Ireland	2,146	1.7%
Italy	21,217	16.5%
Luxembourg	545	0.4%
Netherlands	4,701	3.6%
Austria	9,721	7.5%
Portugal	1,813	1.4%
Finland	1,807	1.4%
Total	128,930	100%

##### b) Coins

In 11 countries the national authorities made full use of the period for frontloading euro coins to credit institutions as from September 2001. In total – including all kinds of starter kits – 37.6 billion coins, worth EUR 12.2 billion, were frontloaded by the end of 2001. This meant that in volume terms around 97% of the coins needed had been distributed to banks before 1 January 2002.

**Table 2: Frontloading of coins to credit institutions inside the euro area**

NCB	million pieces	NCBs' share
Belgium	1,236	3.3%
Germany	12,393	33.0%
Greece	1,012	2.7%
Spain	5,568	14.8%
France	5,998	16.0%
Ireland	970	2.6%
Italy	6,433	17.1%
Luxembourg	70	0.2%
Netherlands	1,494	4.0%
Austria	1,196	3.2%
Portugal	659	1.8%
Finland	576	1.5%
Total	37,605	100%

***Sub-frontloading within the euro area<sup>1</sup>***

**a) Banknotes**

Sub-frontloading to professional target groups was in line with the initial forecast. In terms of value, the credit sector further distributed 10.5% of the banknotes, worth EUR 13.3 billion, to retailers and other eligible parties located within the euro area. In addition, more than EUR 0.6 billion were sub-frontloaded to credit institutions located outside the euro area. It is worth mentioning that due to the lack of preparedness of some small retailers, some banks in some countries had to reschedule their sub-frontloading operations.

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<sup>1</sup> Sub-frontloading volumes are largely based on estimates.

**Table 3: Sub-frontloading of banknotes by credit institutions to residents of the euro area**

NCB	Million euro	NCBs' share	% of frontloading
Belgium	130	1.0%	6.2%
Germany	9,013	68.0%	15.8%
Greece	43	0.3%	0.8%
Spain	452	3.4%	4.4%
France <sup>2</sup>	1,730	13.1%	19.4%
Ireland	100	0.8%	4.7%
Italy	54	0.4%	0.3%
Luxembourg	150	1.1%	27.5%
Netherlands	470	3.5%	10.0%
Austria	1,013	7.6%	10.4%
Portugal	68	0.5%	3.8%
Finland	33	0.2%	1.8%
Total	13,256	100.0%	10.5%

#### b) Coins

Due to statistical problems, information regarding the volume of sub-frontloading of euro coins to the non-banking sector are only available for nine countries.<sup>3</sup> In those countries, 6.7 billion coins, on average 22% of the coins frontloaded by the NCBs concerned, were distributed by the credit institutions and CIT companies to retailers and the cash-operated industry, which enabled retailers to give change in euro from the start of January 2002.

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<sup>2</sup> Estimates provided by ad hoc survey.

<sup>3</sup> The remaining three countries could not provide information on sub-frontloading, or only in value terms.

**Table 4: Sub-frontloading of coins by credit institutions**

	million pieces	% of frontloading
Belgium	260	21%
Germany	2,827	23%
Greece	148	15%
Spain	n/a	-
France	1,825 <sup>4</sup>	30%
Ireland	n/a	-
Italy	225	4%
Luxembourg	40	57%
Netherlands	720	48%
Austria	568	47%
Portugal	n/a	-
Finland	50	9%
Total	6,664	22%

According to the ECOFIN Council statement of November 1999, euro coins could be provided to the general public from mid-December 2001. All countries offered so-called starter kits/mini kits. In a number of countries, the banks were also authorised to make up their own kits and even to sell some of their bulk stocks. The counter value of the starter kits ranged from EUR 3.88 to EUR 15.24 and corresponded in most cases to a national banknote denomination in order to facilitate the exchange. In one country, a small starter kit was also provided to each citizen of 6 years and over free of charge. Distribution through a wide range of outlets started in three countries on 14 December 2002 and in the others on 15 or 17 December 2001. Overall, the general public acquired more than 150 million starter kits comprising over 4.2 billion coins worth EUR 1.6 billion. In addition, retailers were supplied with standard retail starter kits, which had a counter value ranging from EUR 30.41 to EUR 315.

#### ***Frontloading to central banks and specialised credit institutions outside the euro area***

Preliminary statistical evidence suggests that banknotes of a total value of around EUR 4.1 billion were frontloaded by NCBs to 26 central banks and specialised commercial banks<sup>5</sup> located outside the euro area

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<sup>4</sup> Estimates provided by ad hoc surveys. Only data in value were available and worth EUR 401 Millions (i.e. 20% of total frontloading). In volume terms, the estimated share of sub-frontloading could be higher (33%).

<sup>5</sup> According to Art. 3 of the ECB Guideline of 13 September 2001, NCBs were allowed to frontload not only to central banks outside the euro area but also to credit institutions specialising in the wholesale distribution of banknotes to other credit institutions, in order to achieve a widespread frontloading, thus contributing to a smooth cash changeover.



in December 2001, with Deutsche Bundesbank accounting for EUR 3.2 billion and Banque de France for EUR 474 million. The frontloading activities of the single NCBs are detailed in the table below.

**Table 5: Frontloading of banknotes by NCBs to central banks and wholesale banks outside the euro area**  
(in millions of euro)

NCB	Central banks	Wholesale banks
Belgium	0	0
Germany	1,987.4	1,210.0
Greece	48.5	0
Spain	0	0
France	462.6	13.1
Ireland	140.0	0
Italy	1.2	0
Luxembourg	0	0
Netherlands	12.5	0
Austria	0	105.0
Portugal	0.065	0
Finland	6.4	49.9
Total	2,658.7	1,378.0

## 2. Monitoring the cash changeover

In order to enable the ECB decision-making bodies and CashCo to monitor the issuance of euro banknotes and coins and the withdrawal of national currencies, NCBs were requested to provide the ECB with key information related to the issuance of euro banknote and coins on a daily basis during the changeover period. The availability of data broken down by denomination on euro circulation, stocks, issuance and deposits of euro cash at NCBs enabled the Eurosystem to closely follow the introduction of the single currency at both national and Eurosystem levels as well as the development of the Eurosystem's stock levels. In addition, the European Commission was regularly provided with a set of reports on euro and legacy currency in circulation, broken down by Member State.

A statistical overview of the progress of the cash changeover is presented in Annex 9.

### 3. Circulation of the euro cash

The following chart shows the development of total banknotes in circulation after the launch of the single currency. As all frontloaded banknotes were recorded as issued, the circulation went up to 403 billion as at 1 January 2002, exceeding the banknotes in circulation at the same point in time in 2001 by 6%. As the volume of national banknotes withdrawn from circulation continuously exceeded the issuance of euro banknotes up to 28 February 2002 (on that day the issue of euro banknotes was for the first time higher than the withdrawal of national banknotes) the overall circulation went down day by day. On 28 February 2002 the total banknotes in circulation amounted to EUR 285.1 billion, which is around EUR 66.6 billion, or 19%, less than on 28 February 2001.

*Chart 1: Development of banknotes in circulation as from 1 January 2002*

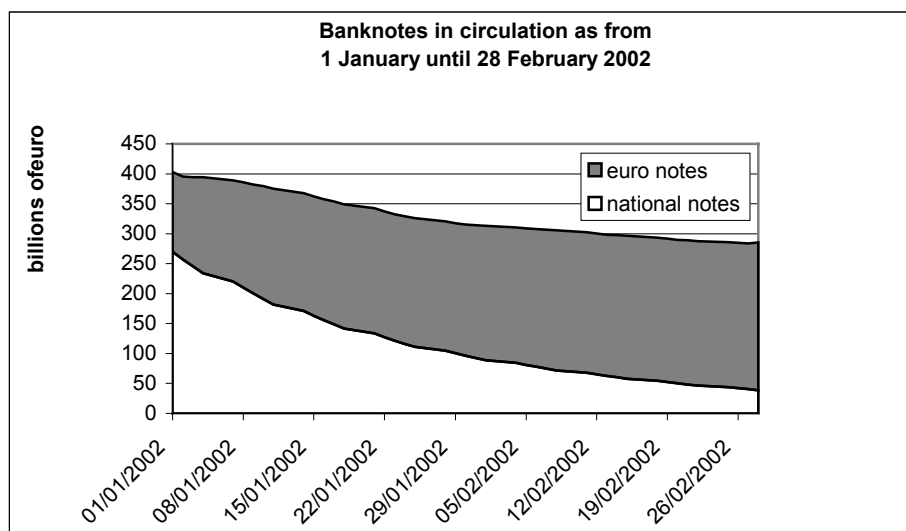
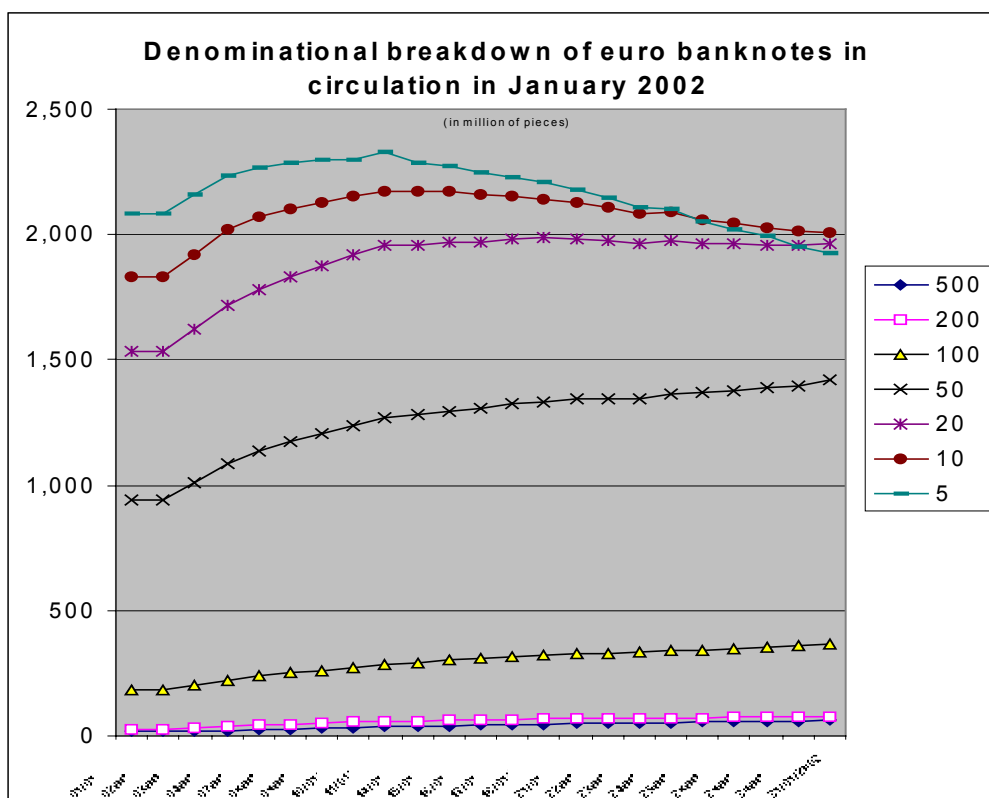


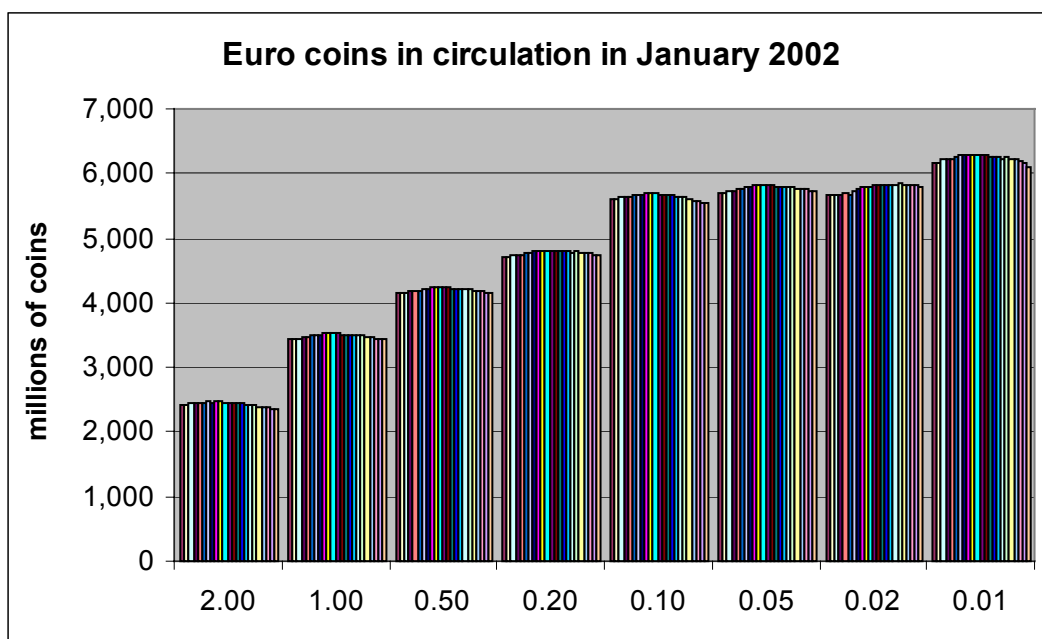
Chart 2 below shows an overview of the development of the circulation of euro banknotes by denomination. It shows extremely high demand for the low-value denominations (i.e. EUR 5 and EUR 10) at the beginning of the cash changeover period, which, however, was essential to overcome the “exchange issue” in the retail sector at the start of January 2002. Furthermore, it provides evidence of the low but sustained increase in the high-value denominations (i.e. EUR 200, EUR 500), supporting the assumption that the replacement of hoarded banknotes will continue well beyond the cash changeover period.

**Chart 2: Circulation of euro banknotes during January 2002, broken down by denomination**



As regards coins, the number of euro coins in circulation increased only slightly from the frontloaded 37.6 billion pieces up to 38.6 billion pieces at its highest on 15 January 2002. The value of euro coins also increased only very moderately from EUR 12.23 billion to EUR 12.58 billion during the first two weeks of the changeover period. Subsequently, circulation decreased at a very slow pace from mid-January until end-February 2002, both in terms of pieces and in terms of value. On 1 March 2002, 35.8 billion euro coins were in circulation, amounting to EUR 11.5 billion.

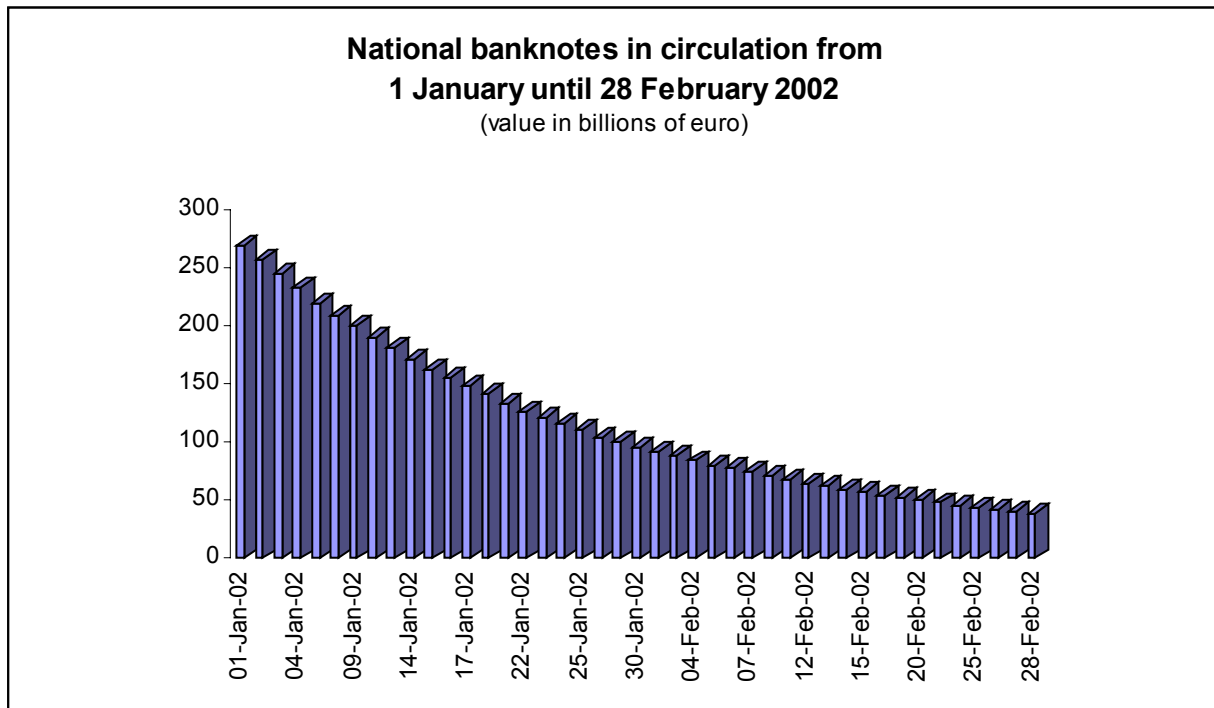
*Chart 3: Circulation of euro coins in January 2002, by denomination*



#### **4. Withdrawal of the legacy currencies**

Following the EUR 110 billion decrease in national banknotes in circulation in 2001, the circulation of national banknotes continued to drop sharply as from 2 January 2002. Each day the lodgements at NCBs amounted to between 4% and 6% of the remaining national banknotes in circulation, resulting in a decrease of banknotes in circulation of EUR 177.6 billion in January and an additional EUR 53.8 billion in February 2002. In total, more than 6 billion national banknotes worth EUR 231.4 billion – i.e. 85.7% in value terms and approximately 70% in volume terms of the circulation at end-2001 – were lodged with the NCBs during the changeover period. At the end of February 2002 the circulation of national banknotes amounted to EUR 38.6 billion and it is expected that most of these banknotes will only gradually return to the NCBs (between 95% and 100% of the banknotes in circulation at end-2002).

*Chart 4: Withdrawal of national banknotes during the changeover period*



At the beginning of the changeover period around 116 billion national coins were in circulation with a value of 16.3 billion euro. 27% of these coins (around 28.5 billion coins) were withdrawn from circulation by NCBs up to 1 March 2002, representing 35% in value terms.

### **5. Adaptation of automated teller machines (ATMs)**

The vast majority of banknotes are put in circulation via ATMs. For this reason, it was imperative that the adaptation of ATMs be well prepared to ensure a sufficient supply of euro for the first days in January. Following thorough and highly efficient preparation by the banking sectors, the adaptation was extremely rapid, with virtually all ATMs converted by 4 January. The following table presents an overview of how it progressed:

**Table 6: Adaptation of the ATMs across the euro area**

(based on reports during CashCo teleconference meetings)

<b>Country</b>	<b>2 January 2002 (9am)</b>	<b>4 January 2002 (4pm)</b>	<b>10 January 2002</b>
<b>Belgium</b>	82% (100% by noon 2/1)	100%	100% and functioning smoothly
<b>Germany</b>	100%	100%	100% and functioning smoothly
<b>Greece</b>	90%	100%	100% and functioning smoothly
<b>Spain</b>	90%	98%	100% and functioning smoothly
<b>France</b>	90%	100%	100% and functioning smoothly
<b>Ireland</b>	85%	100%	100% and functioning smoothly
<b>Italy</b>	33%	93%	Almost 100% and functioning smoothly
<b>Luxembourg</b>	100%	100%	100% and functioning smoothly
<b>Netherlands</b>	100%	100%	100% and functioning smoothly
<b>Austria</b>	100%	100%	100% and functioning smoothly
<b>Portugal</b>	63%	100%	100% and functioning smoothly
<b>Finland</b>	65%	100%	100% and functioning smoothly

## **6. Adaptation of the cash-operated industry**

The adaptation of cash-operated machines was somewhat slower than the other areas of the cash changeover. This was not surprising considering the vast number of machines to be adapted and the limited resources available to carry out the adaptation in a relatively short period of time. In many countries, the cash-operated industry had incorporated the two-month changeover period into their programme of adaptation and some operators in some areas were simply unable to keep up with the pace of adaptation in other areas. The following table presents an overview of how it progressed.

**Table 7: Adaptation of the cash-operated industry across the euro area**

<b>Country</b>	<b>17 Jan 2002</b>	<b>24 Jan 2002</b>	<b>14 Feb 2002</b>	<b>28 Feb 2002</b>
<b>Belgium</b>	65%	65 – 70%	Almost 90%	100%
<b>Germany</b>	90 – 100%	Almost 100%	Almost 100%	100%
<b>Greece</b>	More than 75%	More than 75%	Approximately 80%	Almost 100%
<b>Spain</b>	65 - 75%	80%	<i>Almost 100%</i>	<i>100%</i>
<b>France</b>	More than 90%	90% - 100%	<i>90% - 100%</i>	<i>100%</i>
<b>Ireland</b>	Almost 100%	Almost 100%	<i>Almost 100%</i>	<i>100%</i>
<b>Italy</b>	60 – 90%	60 – 90%	<i>Over 70% and 90%</i>	<i>Almost 100%</i>
<b>Luxembourg</b>	Almost 100%	<i>Almost 100%</i>	<i>100%</i>	<i>100%</i>
<b>Netherlands</b>	95 – 100%	95 – 100%	<i>Almost 100%</i>	<i>100%</i>
<b>Austria</b>	80%	80%	<i>Approximately 90%</i>	<i>100%</i>
<b>Portugal</b>	80%	90%	<i>Almost 100%</i>	<i>100%</i>
<b>Finland</b>	80 – 85%	90 – 100%	<i>100%</i>	<i>100%</i>

Some anecdotal evidence emerged suggesting that some vending machines did not accept euro coins produced in other euro area countries. However, any initial problems of this nature disappeared after the first few weeks and do not appear to be of further serious concern.

## **7. Marking schemes**

Having considered the security and logistics of the withdrawal of banknotes denominated in Italian lire, Spanish pesetas and French, Belgian or Luxembourg francs, the governments of Italy, Spain, France, Belgium and Luxembourg decided to implement a scheme to “mark” certain denominations of these banknotes from 1 January 2002 onwards. The following represents a brief summary of how the schemes were implemented in the individual countries and whether or not they were successful:

### ***Luxembourg***

The scheme in Luxembourg was not compulsory and, in fact, no banks decided to implement it.

### ***Spain***

The scheme in Spain was not compulsory and banks decided not to implement it since no security problems had arisen. A communication of the banking associations was issued in March 2002 announcing the voluntary renunciation of the use of the scheme.

### ***Italy***

The scheme in Italy was not compulsory and, in fact, only one big bank and several smaller banks decided to implement it. This was probably due to the fact that the spread of information on the scheme and the adoption of the legal framework happened at a rather late stage. No robberies involving marked banknotes occurred. In fact, a 25% reduction in robberies, compared with the same period last year, was recorded during the cash changeover, indicating that the marking scheme probably acted as a good deterrent. The scheme in Italy ended on 28 February 2002.

### ***France***

The scheme operated reasonably well. There are no official statistics on the usage of the scheme by the banks but it was estimated to be in the region of 50%. A couple of robberies involving marked banknotes occurred, about which all the NCBs, Europol and Interpol were informed. The date for the end of the scheme is still to be decided and will be announced in due course.

### ***Belgium***

The system operated satisfactorily with practically 100% of the highest Belgian franc denomination being marked by the banks and around 25% - 50% of the second highest denomination, depending on the bank. Several robberies involving marked banknotes occurred and all the NCBs, Europol and Interpol were duly notified. The police were very happy with the scheme and considered that it played a significant role in the security of the high-denomination banknotes, and no CIT attacks were reported. No date was been fixed for a cessation of the scheme but it is envisaged it will apply until the end of June 2002.

### ***Conclusion***

In general, in those countries where the scheme was implemented, it seemed to operate satisfactorily. Even in those countries where the banks did not implement the schemes, they still had a deterrent effect.

## **8. Counterfeiting**

The unveiling of the visual appearance, i.e. the security features, of the banknotes by the President of the ECB did not take place until 30 August 2001. This, no doubt, played a large part in there being no



seizures of forged euro banknotes prior to E-day. Even after 1 January 2002, the number of counterfeits found in circulation remained at an unexpectedly low level.

On 4 March 2002, a total of 1,485 counterfeit euro banknotes were reported by the national analysis centres (NACs) as having been received between 1 January and 28 February 2002<sup>6</sup>. All counterfeits reported are “local classes” and can be considered as “casual”, i.e., counterfeits produced on PCs, scanners and printers of the ‘domestic’ variety and of very poor quality.

## **9. Changeover outside the euro area**

All in all, it seems that the cash changeover outside the euro area was successful. Information for the public was generally adequate, people reacted positively, and euro banknotes were readily available in banks and exchange offices, in most cases. However, the changeover was evidently more gradual than inside the euro area.

It seems that the success outside the euro area can largely be attributed to good preparations by all parties involved including, in no small part, the provision of translated material on a large scale by the ECB. In this regard, the ECB supplied master copies of translations of the public information leaflet (PIL) in 23 additional languages<sup>7</sup>. The national central banks of the respective countries co-operated closely in editing these translations. The involvement of the NCBs was particularly high in the countries where euro legacy currencies were widely held and used.

All NCBs used the materials of the Euro 2002 Information Campaign in their own communication about the euro. They can be classified in three groups:

- Those NCBs that organised their own mass media campaigns including TV spots, billboards, posters or brochures (Bosnia Herzegovina, the Czech Republic, Hungary, Kosovo, Montenegro, Poland and Serbia).
- Those that produced their own brochures or posters (Albania, Andorra, Bulgaria, Croatia, Estonia, Lithuania, Former Yugoslav Republic of Macedonia, Malta, Slovakia, Slovenia and Turkey). Cyprus, Latvia and Romania actively distributed the PILs but did not produce their own information material.
- Those NCBs that were less active (Belarus, Moldova, Russia and Ukraine). For this group, the co-operation with the ECB and Deutsche Bundesbank had the merit to stimulate communication actions (training seminars or production printed matters on the euro banknotes and coins) that might not have otherwise been organised.

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<sup>6</sup> As reporting by the NACs is still irregular, it is possible that the final data for end-February 2002 will be slightly different.

<sup>7</sup> Albanian, Arabic, Belarussian, Bosnian, Bulgarian, Chinese, Croatian, Czech, Estonian, Hungarian, Japanese, Latvian, Lithuanian, Macedonian (the official language of the Former Yugoslav Republic of Macedonia), Moldavian, Polish, Romanian, Russian, Serbian, Slovak, Slovenian, Turkish and Ukrainian

By and large, the NCBs reported that they were satisfied with the level of information about the euro for their respective countries. The local media played a significant role. In all cases, the production by the Deutsche Bundesbank and the Oesterreichische Nationalbank of approximately 3 million PILs in 15 additional languages<sup>8</sup> and the distribution of a major part of them by the NCBs of the targeted countries facilitated the penetration of an authoritative information about the euro banknotes and coins. The communication mix that appeared to be the most cost-efficient for the ECB outside the euro area was:

- to nominate a local partner playing the role of a multiplier,
- to participate in seminars or conferences organised locally in the presence of the press,
- to provide master copies and to print and distribute documentation in the local languages.

## **10. Stocks of euro banknotes and coins during the changeover period**

The production targets for end-2001 were achieved by all NCBs, meaning a sufficient volume of banknotes were available for putting into circulation at the start of 2002, with a comfortable level of stocks also available. A smooth supply of euro banknotes to markets both inside and outside the euro area was therefore ensured. All in all, and particularly due to the continuous refinement of banknote production planning ahead of E-day, the Eurosystem replaced the national banknotes withdrawn from circulation without causing any shortages at national level in any denomination. With regard to coins, a few countries experienced minor difficulties in one or two denominations.

## **11. Communication policy implementation**

The communication programme started on 28 December 2001, announcing the series of press releases (see Section One, paragraph 8), as well as conveying a reassuring message before the introduction of euro banknotes and coins. Daily press releases were scheduled for the first two weeks of January 2002 in order to regularly inform the media during this crucial period. It was decided to end the series of daily press releases on Friday 11 January, as the underlying assumption was that the euro cash changeover would almost be completed from a consumer point of view at that time. Two additional weekly press releases were scheduled to fine-tune the programme, on 18 January 2002 and 25 January 2002. In order to mark the end of the period dual circulation of euro banknotes and coins and the respective legacy currency in all euro area countries, a press release was issued on 28 February 2002.

The timing, number and frequency of the ECB press releases was appropriate and broadly corresponded to the interest from the media in the cash changeover, which declined sharply after two weeks.

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<sup>8</sup> Albanian, Belarussian, Bosnian, Bulgarian, Croatian, Estonian, Latvian, Lithuanian, Macedonian (the official language of the

### ***Context and content of the press releases:***

The programme was shaped in the following context:

- Statements from national/European public figures
- Daily developments in the euro changeover
- Complementary press activities undertaken by the NCBs
- Declining interest in the changeover as progress appeared to be smooth and rapid

Against this background, and in order to ensure extensive media coverage, it was decided to design press releases based on three main elements:

1. Use of quotes (at the political level, or technical when justified).
2. Recommendations (e.g. messages to the public to avoid “mixed” payments)
3. Statistics

The choice of a daily quote was motivated by the necessity to avoid “dry” press releases containing mainly statistics, and to ensure media coverage when other public authorities could rely on press conferences and statements. The decision to use quotes during the fortnight was rather ambitious, but was useful in attracting attention. With regard to statistics, the range on which the ECB relied was rather limited and the creation of the euro progress ratio (EPR) was therefore useful.

### ***Media coverage***

The media coverage on the euro cash changeover was extensive during the first fortnight of 2002. The information released by the Eurosystem was very often used by news agencies, the daily press, and sometimes on radio and TV. The media usually reported on the statistics provided, as well as the quotes. The number of hits on the ECB website was also exceptionally high, in particular on 2 January. Although some negative stories were reported, the tone overall was very positive. The rapidity of the changeover and the swift acceptance of the euro by the public were frequently stressed by the media.

### ***Conclusions***

It can be concluded that the objectives of the communications programme, as outlined in Section One of this report, were met, with the visibility of the Eurosystem highlighted by extensive coverage and the tonality positive in the media. There was no need to use press releases for crisis communication, but rather for fine-tuning the messages according to the latest developments. The NCBs undertook in parallel a series of communication initiatives, which also contributed to the positive evaluation of the changeover.

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Former Yugoslav Republic of Macedonia), Polish, Romanian, Russian, Serbian, Turkish and Ukrainian

## **SECTION 3 – PROBLEMS AND LESSONS LEARNED**

Undoubtedly the cash changeover proceeded extremely smoothly. This is due in no small part to the level and quality of the preparatory work which was carried out at both national and European levels. Clearly, the decision to frontload and sub-frontload vast amounts of euro banknotes and coins prior to 1 January 2002 was one key factor behind the success of the cash changeover. Moreover, it should be mentioned that the enthusiastic acceptance of the general public for the cash also largely explains the smoothness and speed of the whole operation. To this end, the Eurosystem's communication strategy, which focused on providing reassuring and accurate information during the changeover period, helped to create a positive image for the cash changeover.

Despite the smoothness, some problems emerged during the cash changeover. While these problems were not all visible to the general public, they still had to be addressed by the various players involved. Moreover, some general lessons can be learned from the process. These problems and lessons could be listed as follows:

- (a) Bottlenecks in the process of withdrawal of national banknotes and coins;
- (b) Slow adaptation by the cash-operated industry;
- (c) Fears of significant inflationary impact of the cash changeover;
- (d) The dual circulation period was too long;
- (e) No incidents of professional euro banknote counterfeiting.

### **1. Bottlenecks in the process of withdrawal of national banknotes and coins**

During the changeover period, all of the NCBs reported that either the capacity in their country for the transportation and processing of the national legacy currency was fully stretched or there were bottlenecks causing significant delays in the process.. Some of the measures taken in order to speed up the process and to ease storage capacity problems, and the security risks were as follows:

- Extension of operating hours in the CIT companies to facilitate the processing of cash before its return to the NCBs;
- Extension of opening hours of NCBs and their branches to facilitate the receipt of national currency from the CIT companies;
- Acceptance by NCBs of non-processed cash;
- Direct acceptance by NCBs of cash instead of having to route via CIT companies;
- Establishment of temporary deposit locations;
- Use of larger vehicles by CIT companies.

Given the enormity of the withdrawal, the problem of lack of capacity was not unexpected. What was unexpected, however, was the public's eagerness to get hold of euro cash and this exacerbated the overall situation. Although the bottlenecks were causing some inconvenience, there was no general detrimental

effect on the smoothness of the cash changeover. In any case, contingency measures were in place in all countries and were implemented in many, with everything possible being done. Fortunately, the problem reached a manageable peak and eased thereafter.

## **2. Adaptation of cash-operated machines**

Evidence suggested that, for a number of countries, the cash-operated industry had been somewhat slower to adapt their machines compared with other groups. A further problem, for which only anecdotal evidence existed, was the non-acceptance of some cash-operated machines of euro coins produced in other euro area countries. This problem seemed to practically disappear by end-February. The cause of the problems may be put down to the fact that the industry did not prepare sufficiently well in some countries, both in terms of the speed of adaptation of the machines and also the lack of testing with a sufficient variety of euro coins. However, two points are worth mentioning:

- the volume of machines to be adapted was enormous and the industry, in some countries, decided to take advantage of the two-month (for most countries) dual circulation period for the work required. Indeed, the needs of the industry were considered and the relevant parties consulted when the scenarios were established. Subsequent warnings by the competent authorities (i.e. the ECB, NCBs, European Commission) indicating that the changeover might be quicker than originally envisaged were apparently neglected at least by some of the relevant actors;
- the interests of the cash-operated industry were always considered when establishing the changeover scenarios in each of the euro area countries and they were continuously represented at the regular meetings of the Third Parties in Frankfurt chaired by the ECB.

## **3. Inflationary impact of the cash changeover**

Concern regarding the possible inflationary impact of the cash changeover emerged repeatedly both before and during the cash changeover process, although several factors, such as strong competition in retailing and the vigilance of the consumers, suggested that the impact would not be significant at the aggregate level. While a strong increase in overall inflation was observed at the beginning of 2002 this was largely due to exceptional and short-lived factors. For example, adverse weather conditions in some parts of the euro area led to increases in unprocessed food prices; in addition there were anticipated influences of indirect taxes and base effects resulting from developments in energy prices. Price increases were also registered for some specific items in the services sector, which could have been related to the changeover. However, while it is extremely difficult to isolate the inflationary impact of the changeover from other factors with any degree of precision, there was no evidence of a significant impact on prices at the aggregate level as a result of the euro cash changeover. Moreover, substantial effects in the months after the changeover are not expected. Finally, there is reason to assume that the physical introduction of the euro banknotes and coins will strengthen competition, thereby supporting the maintenance of price stability in the future.

#### **4. Length of dual circulation period**

In many countries, the changeover proceeded at a quicker pace than was expected. In fact, the public's acceptance of the new banknotes and coins was such that it caused queues and delays at bank counters (as people handed in their legacy currency) and it caused retailers to refuse legacy currencies at a very early stage. Because of these problems, which were very visible to the general public, there was a certain level of questioning regarding the length of the dual circulation period and whether it could have been shorter, i.e. less than two months for all countries.

It is questionable whether the inconvenience caused by the "quicker than expected" changeover could have been eliminated by having a shorter dual circulation period. Furthermore, the reasons for having the two-month period should be recalled, i.e. to take account of the limited capacity of retailers, banks and CIT companies for the storage and transportation of cash; to give the banking sector enough time to handle all customer cash transactions to euro; to allow people a reasonable period of adjustment to their new currency, especially for the conversion of hoarded cash and also in view of the fact that there was no intention to sub-frontload euro banknotes to the general public; to assist the cash-operated industry, which had a very onerous task ahead; etc. Taking these reasons into account, the two-month period was fully justified, even if not altogether and completely necessary. If the period had been shorter, the inconvenience experienced would not have been avoided, in fact some events could have been worse, e.g. the general public rushing to banks to convert legacy cash to euro. Furthermore, the bottlenecks experienced in the process of withdrawing the legacy currencies would probably have been further accentuated had the dual currency period been shorter than the two months.

It is also worth recalling that the dual circulation period was originally six months long and this was reduced by agreement of the Member States to between four weeks and two months, but that old banknotes and coins could still be changed after this period.

#### **5. No incidents of professional euro banknote counterfeiting**

The threat of counterfeiting was always a major concern, but as no incidents of professional counterfeits have occurred so far, the smoothness of the cash changeover was not affected. Indeed, the amount of counterfeits reported so far is very low in number and all have been of poor quality. Thus the scenario of a flood of counterfeits after the turn of the year, when people were not accustomed to the new currency, did not materialise. The main reason for the absence of professional euro banknote counterfeits so far is due in no small part to the extent of preparatory work undertaken at several levels to combat counterfeiting (see Section One, paragraph 7).

## **SECTION 4 – THE ROLE OF CASHCO IN THE CASH CHANGEOVER PROCESS**

At its meeting on 15 March 2001, when the preparations for the changeover were gaining momentum and the work involved was increasing, the Governing Council decided to establish CashCo and entrusted it with overall responsibility for co-ordinating the changeover to euro banknotes and coins relating to the period before 1 January 2002 and during the withdrawal period up to end-February 2002. The following paragraphs outline the main areas of work carried out by the Committee.

### **1. Risk Analysis related to the Cash Changeover process**

To enable CashCo to carry out a full risk assessment, the NCBs established an inventory of the logistical risks which could have an impact on the successful introduction of the euro in their respective countries. The Governing Council took note of this inventory of the logistical risks associated with the cash changeover and entrusted CashCo with reviewing the suitability and feasibility of the related contingency measures, foreseen at national level, as well as the procedures for activating them.

This task was carried out by CashCo and presented to the Governing Council in November 2001. Many risks were identified with the most significant ones being:

#### ***Criminal activities***

This largely related to the possibility of robberies of euro cash during transportation or while in storage and also the risk of counterfeiting. It was noted that, unfortunately, a certain level of criminal activity could not be ruled out but that substantial risk-reducing measures had been implemented across the euro area and important measures towards combating counterfeiting had been taken (see Section One, paragraph 7).

#### ***Shortage of euro cash in circulation in January 2002***

It was noted that, with regard to the EUR 5, despite the establishment of a stock management system by the ECB (see Section One, paragraph 9), which aimed to alleviate any short-term shortages in the Eurosystem through excess banknotes held by NCBs, there could be an *overall* shortage occurring at the beginning of the cash changeover. In this regard, the Governing Council decided that should an overall shortage of any denomination of euro banknotes occur, the NCBs should reconsider their necessary minimum levels of logistical stocks in that denomination, taking into account current circumstances, in a concerted effort to ensure no shortages occur throughout the euro area and therefore enhancing the possibility of a smooth cash changeover.

### ***Advance circulation of euro banknotes***

After the start of frontloading on 1 September 2001, many “early circulation” incidents occurred throughout the euro area. It was noted that such incidents could not be completely excluded. In October 2001, the Governing Council agreed that the Eurosystem needed to remain extremely vigilant as regards the prohibition on the frontloading of euro banknotes and coins to the general public and that the relevant penalty regime, established in accordance with Article 7 of Guideline ECB/2001/1, would need to be strictly applied. In addition to monitoring and reporting all early circulation incidents, CashCo followed up on the details regarding the implementation of the penalty regime and reported to the ECB decision-making bodies thereon.

### ***Conclusion of the analysis***

It was agreed by the Governing Council that the contingency measures foreseen across the euro area to address the risks to the logistics of the 2002 cash changeover, and the procedures for their activation, were suitable and feasible. In particular, it noted that the risk-reducing and contingency measures outlined by the NCBs had been clearly agreed and established among the various parties involved and did not merely constitute ideas. In addition, the fact that in all euro area countries there existed a series of “overseeing” bodies to help ensure the cash changeover was as smooth as possible was a reassuring factor.

## **2. Co-ordination of logistics of the changeover**

To co-ordinate information on the logistics of the changeover, CashCo conducted regular discussions and exchanges of information on:

- all issues relating to their individual “*Envisaged Scenarios*” (see Annex 1);
- the *marking schemes* envisaged in Belgium, Luxembourg, France, Spain and Italy (see Section One, paragraph 6.2 and Section 2, paragraph 7); and
- the *risk analysis* carried out by the Committee (see Section Four, paragraph 1).

## **3. Communication Policy and Crisis Communication Procedures**

In relation to communication issues, CashCo took several measures:

- The Chairman of the External Communications Committee (ECCO) was a member of CashCo thus ensuring that all issues would also be handled by ECCO if deemed appropriate.
- Crisis communication procedures were established between ECCO and CashCo and were approved by the Governing Council in July 2001 (see Section One, paragraph 8).
- Common Messages to help ensure a smooth cash changeover were established between ECCO and CashCo and were subsequently placed on the ECB website in all eleven official Community languages. They were also made available to all euro area NCBs for placement on their websites.



- A Communication Policy for the changeover period was established and implemented successfully (see Section One, paragraph 8 and Section Two, paragraph 11).

#### **4. Cash Changeover outside the euro area**

The cash changeover outside the euro area was handled by CashCo on several occasions and in different contexts:

- The adequacy of the *frontloading measures for banks outside the euro area* which could be frontloaded by subsidiaries or other banks inside the euro area, but which could not then further sub-frontload, were first discussed in CashCo. Thereafter the matter was brought to the ECB decision-making bodies and it was finally decided to allow non-euro area central banks and credit institutions, which were operating in the world-wide wholesale banknote market, to sub-frontload euro banknotes to their customer banks outside the euro area from 1 December 2001. An ECB Guideline was adopted to cover such frontloading (see Annex 6).

The *impact of the cash changeover on currency in circulation* was also regularly presented by Directorate General Economics in CashCo and discussions on the issue were welcomed. CashCo also considered the potential flowback of euro area legacy banknotes from countries outside the euro area, particularly in central and eastern Europe, to NCBs other than the one of the issue.

#### **5. Monitoring the milestones relating to the cash changeover**

The main milestones of the cash changeover prior to 1 January 2002 were the start of frontloading operations on 1 September 2001 and the sub-frontloading of euro coins to the general public from mid-December 2001 onwards. Progress with the frontloading operations was discussed in all CashCo meetings between 1 September 2001 and the end of the year. The sub-frontloading of the coins to the general public was discussed in the CashCo meeting on 20 December 2001 when it emerged that the public's interest had surpassed general expectations, giving a very positive indication of the likely acceptance of the euro in general on 1 January 2002. Once 1 January 2002 arrived, CashCo held regular teleconference meetings to exchange information on progress across the euro area. A report was prepared following each meeting and was submitted to the ECB decision-making bodies for information. During a face-to-face meeting on 24 January 2002, it was decided that, since the changeover was proceeding so well, and given that there was very little to report, there would only be one further teleconference meeting, on 14 February, and one face-to-face meeting, on 28 February 2002, following which the Committee would be dissolved.

## **6. Co-operation with Third Parties**

In this regard, CashCo decided at its first meeting that, in the interest of co-operation, it would be advantageous for all concerned to have the European Commission as an observer in CashCo for all meetings, including teleconference meetings. The Commission contributed very fruitfully to the work of CashCo, particularly concerning the communication policy for the cash changeover period and all issues relating to coins.

In the interest of effective co-operation on security issues, Europol was invited to attend the last three meetings of CashCo. Its contribution proved particularly fruitful for issues relating to counterfeiting and those related to robberies, especially where marked banknotes were involved.

## **7. Preparation for the changeover weekend**

In this regard, CashCo prepared an overall plan comprising details of all staff on duty and on-call in the NCBs during the cash changeover period. The information was shared among all members in case contact during the period was necessary, particularly relating to any communication needs of the Eurosystem which would emerge. As it transpired, no unscheduled contact was necessary, but the information was useful for the many bilateral contacts which were made during the period.

**Regular Report of the European Central Bank**

**on**

**ENVISAGED SCENARIOS OF THE EURO AREA FOR THE 2002 CASH CHANGEOVER**

**AS AT 20 DECEMBER 2001**

### Envisaged scenario for the 2002 cash changeover - as at 20 December 2001

	Austria	Belgium	Finland	France	Germany	Greece	Ireland	Italy	Luxemb.	Nether.	Portugal	Spain
Last day of legal tender status for national currency units	28/2/2002	28/2/2002	28/2/2002	17/2/02	31/12/2001	28/2/2002	9/2/2002	28/2/2002	28/2/2002	27/1/2002	28/2/2002	28/2/2002
<b>FRONTLOADING ACTIVITIES ACROSS THE EURO AREA</b>												
Frontloading to <u>BANKS</u> or appointed agents with <u>BANKNOTES</u> – Starting date <sup>1</sup>	3/9/2001	1/11/2001	1/9/2001	1/12/2001	1/9/2001	1/10/2001	1/11/2001	1/11/2001	1/9/2001	1/12/2001 <sup>2</sup>	1/10/2001	1/9/2001
Frontloading to <u>BANKS</u> or appointed agents with <u>COINS</u> - Starting date <sup>1</sup>	3/9/2001	1/9/2001	1/9/2001	1/9/2001	1/9/2001	1/9/2001	1/9/2001	1/9/2001	1/9/2001	1/12/2001 <sup>2</sup>	1/9/2001	1/9/2001
Sub-frontloading to <u>RETAILERS</u> or appointed agents with <u>BANKNOTES</u> – Starting date <sup>1</sup>	10/9/2001	1/12/2001	1/12/2001	1/12/2001	1/9/2001	1/12/2001	1/11/2001	Large retailers: 1/12/2001 Small retailers: 15/12/2001	1/9/2001	Large retailers: 1/12/2001 <sup>2</sup> Small retailers: 17/12/2001 <sup>2</sup>	1/12/2001	Large retailers: 1/9/2001 Small retailers: 1/12/2001
Sub-frontloading to <u>RETAILERS</u> or appointed agents with <u>COINS</u> –Starting date <sup>1</sup>	3/9/2001	1/12/2001	1/9/2001	1/12/2001 <sup>3</sup>	1/9/2001	1/11/2001	1/9/2001	Large retailers: 1/10/2001 Small retailers: 15/12/2001	1/9/2001	Large retailers: 1/12/2001 <sup>2</sup> Small retailers: 17/12/2001	1/12/2001	Large retailers: 1/9/2001 Small retailers: 1/12/2001
Sub-frontloading to <u>COIN-OPERATED INDUSTRY</u> with <u>COINS</u> Starting date <sup>1</sup>	3/9/2001	1/9/2001	1/9/2001	1/12/2001 <sup>3</sup>	1/9/2001	Not applicable	1/9/2001	1/10/2001	1/9/2001 if there is a need	1/12/2001 <sup>2</sup>	1/11/2001	1/9/2001

<sup>1</sup> The starting date represents only a rough indication of the timetable. Therefore, slight revisions may be made.

<sup>2</sup> If all parties involved are in agreement, frontloading can take place earlier (as from 1 September 2001 on request).

<sup>3</sup> With the exception of earlier orders.

	Austria	Belgium	Finland	France	Germany	Greece	Ireland	Italy	Luxemb.	Nether.	Portugal	Spain
Sub-frontloading to GENERAL PUBLIC <sup>4</sup> with COINS Starting date	15/12/2001	15/12/2001	15/12/2001	14/12/2001	17/12/2001	17/12/2001	14/12/2001	15/12/2001	15/12/2001	14/12/2001	17/12/2001	15/12/2001
SPECIAL SUB-PACKAGING of banknotes by NCBs for banks and retailers	No	7 standard packages, each containing a variety of denominations <sup>5</sup>	No	Sub-packaging of €5 and €10 per 20 banknotes	Special packages consisting of €5 (40 banknotes), €10 and €20 (20 notes each)	No	No	Sub-packaging of €5 per 25 banknotes	Sub-packaging of €5, €10 and €500 per 25 banknotes	Sub-packaging of €5, €10 and €20 per 20 banknotes	No	No
VOLUME OF SUB-PACKAGING units for banks and retailers	Partly done by Geldservice Austria.	Approx. 4 million	None	62.5 million	5 million	None	None	1.5 million	274,000	3 million	None	None
<b>COIN STARTER KITS – PLANS FOR DISTRIBUTION ACROSS THE EURO AREA</b>												
GENERAL PUBLIC VALUE	€14.54 in exchange for ATS 200	€12.40 in exchange for BEF 500	€3.88 in exchange for FIM 23	€15.25 in exchange for FRF 100	€10.23 in exchange for DEM 20	€14.67 in exchange for GRD 5,000	€6.35 in exchange for IEP 5	€12.91 in exchange for ITL 25,000	€12.40 in exchange for LUF 500	Two - €11.34 in exchange for NLG 25 and €3.88 free of charge <sup>6</sup>	€10.00 in exchange for PTE 2,005	€12.02 in exchange for ESP 2,000
GENERAL PUBLIC VOLUME	6 million	5.5 million	0.5 million	53 million	53.5 million	3 million	1 million	30 million	0.6 million	8.8, and 16 million, respectively	1 million	24 million
BANKS VALUE	No	No	No	No	No	No	No	No	Yes / €111 same as for retailers	No	No	No

<sup>4</sup> The ECOFIN Council in November 1999 considered the possibility of frontloading coins to the general public as from the second half of December 2001, however, under the rule of subsidiarity, the final decision still lies with Member States. As for the euro banknotes, the Governing Council of the ECB holds the view that the option of frontloading to the general public be ruled out.

<sup>5</sup> Banknotes will be frontloaded to banks in standard packages. These 7 packages correspond to counter needs of the commercial banks, ATM needs and banknotes especially prepared for sub-frontloading.

<sup>6</sup> For educational purposes a set with one coin per denomination will be made available free of charge to everyone aged 6 years and older.

	Austria	Belgium	Finland	France	Germany	Greece	Ireland	Italy	Luxemb.	Nether.	Portugal	Spain
BANKS VOLUME	None	None	None	None	None	None	None	None	According to demand	None	None	None
RETAILERS VALUE	€145.50	€240	€168	€222	No7	From €111 to €300, subject to each bank's decision	€253	€315	€111	€15 and €219	€250	€30.41
RETAILERS VOLUME	Approx. 700,000	870,000	25,000	1.5 million	According to demand	Banks will distribute according to demand	165,000 will be distributed by banks	1.2 million	50,000	400,000 and 1.6 million, respectively	150,000	approx. 2 million

#### DATA ON ATM CONVERSION ACTIVITIES ACROSS THE EURO AREA

DENOMINATIONS to be distributed by ATMs	€10 €20 €508 €100	€59 €20 €50	€20 €50	€10 €20 €50	€510 €10 €20 €50	Mainly €20, €50, also €10	€10 €20 some €50	€10 €20 €50	€5 €10 €20 €50	€511 €10 €20 €50	€5 €10 €20 €50	€512 €1011 €20 €50
Number of ATMs	3,200 on premises, 2,600 off	6,600	2,200	35,000	60,000	3,897	1,235	31,700	350	7,000	8,500	44,000
ATM conversion policy	All ATMs will be converted as from 1/1/2002	Most ATMs will be converted as from 1/1/2002	Gradual	85% by 1/1/2002	Most ATMs will be converted by 1/1/2002	Most ATMs will be converted by 1/1/2002	90% by 1/1/2002	Gradual	All ATMs will be converted as from 1/1/2002	All ATMs will be converted as from 1/1/2002	Gradual 50% by 1/1/2002	90-95% by 1/1/2002

<sup>7</sup> The Deutsche Bundesbank will award a bonus to those banks who produce their own starter kits for retailers. The banking associations as well as retailers' organisations recommend a coin starter kit of €275.

<sup>8</sup> The regular ATM network (attached to bank branches) will only dispense €10 and €100. However, other ATMs will possibly also dispense €20 and €50.

<sup>9</sup> Only in some ATMs located in self-service banking areas, reserved for the bank's own clients.

<sup>10</sup> Only in the case of ATMs with four cassettes.

<sup>11</sup> In 50% of ATMs in branch offices.

<sup>12</sup> In ATMs located in strategic places such as supermarkets.

	Austria	Belgium	Finland	France	Germany	Greece	Ireland	Italy	Luxemb.	Nether.	Portugal	Spain
Time needed to convert ATMs	1 day	1 day	1 week 100%	3/4 days	1 day	1 week 90%	3 days	1 week 90%	1 day	1 day	4 days	1 week 100%
Policy for ATMs not converted by 01/01/02	To be removed from service at 00.00 on 1/1/2002	Will be converted on 2/1/2002. Others removed from service.	FIM will be dispensed until ATMs are converted	To be removed from service	To be removed from service as from 1/1/2002	GRD will be dispensed until ATMs are converted, but no later than 15/1/2002	Only € will be dispensed as from 1/1/2002	To be removed from service	To be removed from service	Only € will be dispensed as from 1/1/2002	PTE will be dispensed until ATMs are converted	ESP will be dispensed until ATMs are converted

#### WITHDRAWAL OF NATIONAL CURRENCY UNITS

Unlimited and free of charge exchange for customers of NCUs until end of February 2002?	Subject to each bank's decision.  Some banks have announced exchanges without limitation	Yes	Subject to each bank's decision.  Some banks have announced exchanges without limitation	Yes	Subject to each bank's decision.  Some banks have announced exchanges without limitation	Yes	Subject to prior notice, some banks will exchange unlimited amounts for their customers	About €516 on immediate request.  Without limitation at one working day's notice	€1,000 at banks.  No limitation at exchange points	<u>Private clients</u> : no limitation until 1/4/2002. <u>Business clients</u> : <u>Notes</u> free of charge without limitation 1 <sup>st</sup> week of 2002. <u>Coins</u> free of charge until 11/2/2002	Yes, until 30/6/2002, if the exchange is done through deposit account	Yes, no limitation until 30/6/2002
Ceiling for free exchange of NCUs for non-customers until end of February?	ATS 50,000 = EUR 3,633.64	Banks will comply with the Recommendation of the European Commission (11/10/2000)	Subject to each bank's decision.	Free of charge for non-customers up to a certain ceiling	Subject to each bank's decision. Some don't distinguish between customers and non-customers	No limitation	At least €635 per person	€258 per day	No limitation	Banks may charge non-customers irrespective of amount	Subject to each bank's decision.	No limitation

	Austria	Belgium	Finland	France	Germany	Greece	Ireland	Italy	Luxemb.	Nether.	Portugal	Spain
Arrangements for exchanging NCUs at banks after the national changeover period	Subject to each bank's decision.	Only for customers free of charge – deposits on an account until 31/12/2002	Subject to each bank's decision.	Free of charge for customers until 30/6/2002	Subject to each bank's decision.	Subject to each bank's decision.	For an unspecified time after 9/2/2002	Subject to each bank's decision to be taken in Feb. 2002	Free of charge for customers until 30/6/2002 (at some banks until 31/12/2002)	Exchange facilities until 31/12/2002. Free of charge for private customers until 1/4/2002	Subject to each bank's decision.	Free of charge until 30/06/2002
Limit for exchange of NCUs by the NCBs	<u>Banknotes</u> – indefinite  <u>Coins</u> – indefinite	<u>Banknotes</u> – indefinite  <u>Coins</u> – 31/12/2004	<u>Banknotes</u> - 10 years after they cease to be legal tender  <u>Coins</u> – 10 years after they cease to be legal tender	<u>Banknotes</u> - 10 years after they cease to be legal tender  <u>Coins</u> – 3 years after they cease to be legal tender	<u>Banknotes</u> – indefinite  <u>Coins</u> – indefinite	<u>Banknotes</u> - 10 years after they cease to be legal tender  <u>Coins</u> – 2 years after they cease to be legal tender	<u>Banknotes</u> – indefinite  <u>Coins</u> – indefinite	<u>Banknotes</u> - 10 years after they cease to be legal tender  <u>Coins</u> – 10 years after they cease to be legal tender	<u>Banknotes</u> – indefinite  <u>Coins</u> - 31/12/2004	<u>Banknotes</u> <sup>13</sup> 1/1/2032  <u>Coins</u> - 1/1/2007	<u>Banknotes</u> - 20 years  <u>Coins</u> - 31/12/2002	<u>Banknotes</u> – indefinite  <u>Coins</u> – indefinite
Campaign to encourage depositing of hoarded coins	Yes <sup>14</sup> October	Yes 15/10 to 15/11/2001	Yes Sept/Oct 2001	No	Yes, 10/9 to 30/10/2001	Yes October	Yes October	Yes Second half of 2001	Yes, by commercial banks Sept.	Yes Oct/Nov 2001	No	Yes Nov 2001
Scheme for marking of national banknotes	No	Yes	No	Yes	No	No	No	Yes	Yes	No	No	Yes

<sup>13</sup> Through commercial banks only until 31 December 2002.

<sup>14</sup> By commercial banks and charity organisations.



	Austria	Belgium	Finland	France	Germany	Greece	Ireland	Italy	Luxemb.	Nether.	Portugal	Spain
<b>OTHER LOGISTICAL MEASURES FORESEEN</b>												
Plans to reduce the retailers' need for huge cash holdings	Promoting e-money transactions  Paying exactly (keep change to a minimum)	Promoting e-money transactions; Issuing of low-denomination notes at bank counters at start of 2002; Social welfare payments will include lowdenomination banknotes.	Promoting e-money transactions	Issuing of low-denomination notes at bank counters at start of 2002; Social welfare payments will include low-denomination banknotes.	Reducing private cash holdings at end of 2001; Issuing of low-denomination notes at bank counters at start of 2002.	Issuing of low-denomination notes at bank counters at start of 2002.	Social welfare payments made through post offices in the first week will include €5 notes	Commercial banks and post offices will use low-denomination notes at their counters in first days of 2002	Commercial banks will jointly establish dedicated exchange centres throughout the country	Mainly NLG 25 banknotes in ATMs instead of NLG 100, 27-31/12/2001	Making commercial associations aware that they should inform their members of the need to be supplied in advance with euro.	Commercial banks will sub-frontload to retailers adequate volumes of €5 and €10. The issue of low denomination notes will be intensified at bank counters at the start of 2002.  Publicity campaign recommends to pay exactly.
<b>BANK OPENING 31 DECEMBER 2001 – 1 JANUARY 2002</b>												
Is NCB open on 31 Dec 2001/1 Jan 2002?	31/12: yes  1/1: yes	31/12: yes  1/1: no	31/12: yes  1/1: yes	31/12: yes  1/1: upon request by CITs	31/12: yes  1/1: yes, but subject to demand	31/12: yes  1/1: no	31/12: yes  1/1: yes	31/12: no  1/1: no	31/12: yes  1/1: no	31/12: yes  1/1: yes, but subject to demand	31/12: yes  1/1: yes	31/12: yes  1/1: yes

	<b>Austria</b>	<b>Belgium</b>	<b>Finland</b>	<b>France</b>	<b>Germany</b>	<b>Greece</b>	<b>Ireland</b>	<b>Italy</b>	<b>Luxemb.</b>	<b>Nether.</b>	<b>Portugal</b>	<b>Spain</b>
Are banks open on 31 Dec 2001/1 Jan 2002?	31/12 and 1/1: for business clients on specific request	31/12: yes 1/1: no	31/12: no 1/1: no	31/12: yes 1/1: no	31/12: no 1/1: yes, at least for retailers and similar clients	31/12: yes for cash transactions 1/1: no	31/12: institutions examining level of service required and will communicate with customers nearer to the time 1/1: no	31/12: no 1/1: no	31/12: no, except post offices (limited hours) 1/1: banks to have dedicated exchange points open on 1/1 in afternoon.	31/12: yes for cash transactions 1/1: for business clients on specific request	31/12: yes 1/1: no	31/12: yes 1/1: some commercial bank branches will be open for cash transactions

USEFUL NATIONAL WEBSITE ADDRESSES FOR THE CASH CHANGEOVER	
<b>Austria</b>	<a href="http://www.euro.gv.at">http://www.euro.gv.at</a> <a href="http://www.oenb.co.at">http://www.oenb.co.at</a>
<b>Belgium</b>	<a href="http://www.euro.fgov.be">http://www.euro.fgov.be</a> <a href="http://www.nbb.be">http://www.nbb.be</a>
<b>Finland</b>	<a href="http://www.bof.fi/">http://www.bof.fi/</a>
<b>France</b>	<a href="http://www.banque-france.fr">http://www.banque-france.fr</a>
<b>Germany</b>	<a href="http://www.bundesbank.de/euro">http://www.bundesbank.de/euro</a>
<b>Greece</b>	<a href="http://www.euro-hellas.gr">http://www.euro-hellas.gr</a> <a href="http://www.bankofgreece.gr">http://www.bankofgreece.gr</a>
<b>Ireland</b>	<a href="http://www.euro.ie">http://www.euro.ie</a> <a href="http://www.centralbank.ie">http://www.centralbank.ie</a>
<b>Italy</b>	<a href="http://www.tesoro.it/euro">http://www.tesoro.it/euro</a> <a href="http://www.bancaditalia.it">http://www.bancaditalia.it</a>
<b>Luxembourg</b>	<a href="http://www.etat.lu/FI">http://www.etat.lu/FI</a> <a href="http://www.bcl.lu">http://www.bcl.lu</a>
<b>Netherlands</b>	<a href="http://www.dnb.nl">http://www.dnb.nl</a> <a href="http://www.euro.nl">http://www.euro.nl</a>
<b>Portugal</b>	<a href="http://www.min-economia.pt">http://www.min-economia.pt</a> <a href="http://www.bportugal.pt">http://www.bportugal.pt</a> <a href="http://www.infoeuro.pt">http://www.infoeuro.pt</a>
<b>Spain</b>	<a href="http://www.euro.mineco.es">http://www.euro.mineco.es</a> <a href="http://www.bde.es">http://www.bde.es</a>

**GUIDELINE OF THE EUROPEAN CENTRAL BANK****of 10 January 2001****ADOPTING CERTAIN PROVISIONS ON THE 2002 CASH CHANGEOVER****(ECB/2001/1)**

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty establishing the European Community (hereinafter referred to as the 'Treaty'), and in particular to Article 106(1) thereof, and to Articles 16 and 26.4 of the Statute of the European System of Central Banks and of the European Central Bank (hereinafter referred to as the 'Statute'),

Whereas:

- (1) According to Article 10 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as from 1 January 2002, 'the ECB and the central banks of the participating Member States shall put into circulation banknotes denominated in euro'<sup>1</sup>.
- (2) Frontloading of euro banknotes before 1 January 2002 to certain target groups would alleviate the logistical burden related to the introduction of the euro and will contribute to reduce the costs associated with dual currency circulation after the end of the transitional period.
- (3) Frontloading of euro banknotes shall not have the effect of anticipated circulation of euro banknotes amongst the general public as the euro banknotes will not have legal tender status until 1 January 2002; consequently, certain restrictions have to be observed in order to avoid putting euro banknotes into circulation before 1 January 2002.
- (4) Frontloading of euro banknotes to credit institutions or to their appointed agents and sub-frontloading to other organisations may only be put in place if statutory or contractual arrangements are set forth between national central banks of the participating Member States and credit institutions.

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<sup>1</sup> OJ L 139, 11.5.1998, p. 1.

- (5) Before 1 January 2002 euro banknotes shall be accounted off-balance sheet, but at their full face value, as there is legal certainty pursuant to Article 10 of Council Regulation (EC) No 974/98 that such banknotes will become legal tender from 1 January 2002.
- (6) Frontloaded banknotes shall be debited at the dates and according to the debiting model specified in this Guideline; whereas the debiting model takes into account the additional cash holdings caused by the 2002 cash changeover.
- (7) Appropriate means to cover credit risks associated with frontloading must be taken into account; whereas such means may involve the use of retention of ownership, assets given as collateral through appropriate arrangements or cash given as collateral in the form of a deposit on a dedicated account remunerated with the same rate as applied for minimum reserves or in another form deemed appropriate by the NCBs.
- (8) For as long as frontloaded banknotes and coins remain the property of NCBs, insurance policies or other appropriate means shall be used to cover at least the risks of damage, theft or robbery; whereas penalty clauses, inspections and auditing may be used in order to cover the risk of anticipated public use of the frontloaded euro banknotes and with the sole purpose of verifying the presence of the frontloaded banknotes.
- (9) Frontloading of euro banknotes is a logistical operation aimed at facilitating the implementation of the national cash changeover scenarios for which NCBs are primarily responsible; whereas, when implementing this Guideline, NCBs shall endeavour to follow an unbureaucratic and flexible approach, shall take into account national peculiarities and shall attempt to minimise the burden on the credit sector in order to ensure a smooth cash changeover.
- (10) It is acknowledged that while the primary competence for establishing the regime for the issuance of euro coins lies with the participating Member States, the NCBs play an essential role in the distribution of the euro coins; therefore those provisions of this Guideline which relate to euro coins are of a supplementary nature and are only to be applied by NCBs within the framework set up by the competent national authorities.
- (11) In accordance with Articles 12.1 and 14.3 of the Statute, ECB guidelines form an integral part of Community law,

HAS ADOPTED THIS GUIDELINE:

## CHAPTER I – GENERAL PROVISIONS

### *Article 1*

#### **Definitions**

For the purposes of this Guideline:

- ‘cash in transit companies’ (CITs) shall mean entities providing transport, storage and handling services of banknotes and coins for credit institutions,
- ‘credit institutions’ shall mean the institutions eligible for monetary policy operations in accordance with Guideline ECB/2000/7 of the European Central Bank on monetary policy instruments and procedures of the Eurosystem of 31 August 2000<sup>2</sup>,
- ‘Eurosystem’ shall mean the national central banks of the participating Member States (NCBs) and the ECB,
- ‘euro area’ shall mean the territory of the participating Member States,
- ‘frontloading’ shall mean the physical delivery of euro banknotes and coins from NCBs to credit institutions or to their appointed agents, between 1 September 2001 and 31 December 2001, according to any statutory or contractual arrangements set forth, respectively, by NCBs or between NCBs and credit institutions,
- ‘national central bank’ (NCB) shall mean the NCB of a participating Member State,
- ‘participating Member States’ shall mean Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, Netherlands, Austria, Portugal and Finland,
- ‘sub-frontloading’ shall mean the delivery of euro banknotes and coins from credit institutions or their appointed agents to third parties between 1 September 2001 and 31 December 2001 according to any contractual arrangements set forth between credit institutions or their appointed agents and such third parties.

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<sup>2</sup> OJ L 310, 11.12.2000, p.1.

## CHAPTER II – FRONTLOADING

### *Article 2*

#### **Eligible counterparties**

1. NCBs shall be entitled to frontload euro banknotes and coins to credit institutions.
2. NCBs may allow credit institutions to appoint CITs or entities such as AUTOMATIA in Finland having an account with the NCBs to act on behalf of such credit institutions as their appointed agents for frontloading.
3. NCBs shall be entitled to frontload euro banknotes and coins to the institutions referred to in the second indent of Article 2(3) of Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions<sup>3</sup>, as amended by Directive 2000/28/EC of 18 September 2000<sup>4</sup>, which provide deposit services for private individuals.
4. NCBs may allow national post offices having an account with the NCBs to receive euro banknotes and coins for frontloading purposes.

### *Article 3*

#### **Delivery**

1. NCBs may start frontloading to credit institutions or to their appointed agents from 1 September 2001.
2. NCBs shall require that credit institutions and their appointed agents keep the frontloaded euro banknotes and coins in safe custody.
3. NCBs shall prohibit credit institutions and their appointed agents from disposing of the euro banknotes delivered pursuant to the above before 00.00 on 1 January 2002 local time, except as otherwise provided for under this Guideline.

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<sup>3</sup> OJ L 126, 26.5.2000, p. 1.

<sup>4</sup> OJ L 275, 27.5.2000, p. 37.

#### *Article 4*

##### **Property rights over frontloaded euro banknotes**

1. Frontloaded euro banknotes shall remain the property of NCBs until 00.00 on 1 January 2002, local time.
2. In the event that arrangements for the retention of ownership are not considered by NCBs to be legally feasible or legally enforceable, eligible assets as defined in Article 11 can be provided as collateral for the NCBs' rights over frontloaded euro banknotes. Such assets may also be provided as collateral in parallel with arrangements for the retention of ownership.

#### *Article 5*

##### **Coverage of the risks of damage, theft or robbery of banknotes and coins**

NCBs shall ensure that credit institutions or their appointed agents, as the case may be, cover at least the risks of damage, theft or robbery of frontloaded banknotes and coins which remain the property of NCBs by subscribing to insurance policies or by any other appropriate means. The conditions for frontloading do not address the insurance of the own risk of the credit institution or their appointed agents, as the case may be, which is their exclusive responsibility.

#### *Article 6*

##### **Prevention of anticipated public use**

In order to ascertain compliance by credit institutions or their appointed agents with their obligations regarding prevention of the anticipated public use of the frontloaded euro banknotes, and with the sole purpose of verifying the presence of the frontloaded banknotes, NCBs may provide that auditing and inspection provisions are included in any statutory or contractual arrangements set forth for frontloading.

#### *Article 7*

##### **Contractual or statutory penalties**

Any breach by the credit institutions or their appointed agents of their obligations, including but not limited to putting or acting in a way that is conducive to putting the euro banknotes into circulation before 1 January 2002, shall be deemed to damage the Eurosystem objective of a smooth cash changeover and shall be subject to the payment of contractual or statutory penalties, as appropriate, to be required by NCBs in an amount proportional to the respective damage. Such penalties shall not be required by NCBs where a regulatory framework providing an equivalent level of protection has been set forth by the participating Member State in question.



## *Article 8*

### **ESCB reporting**

For the purposes of drawing up the weekly consolidated financial statements and the consolidated balance sheet of the ESCB/Eurosystem:

- (a) between 1 September 2001 and 31 December 2001, the amount of frontloaded euro banknotes and coins shall be recorded off-balance sheet at their face value by the NCBs. From 1 January 2002 euro banknotes and coins shall be regarded as on-balance sheet items with their actual recording required to be conducted by the first business day in 2002;
- (b) from 1 January 2002 the overall amount of frontloaded banknotes shall be recorded in the banknotes in circulation figure with the actual recording required to be conducted by the first business day in 2002. The difference between the overall amount of frontloaded banknotes and the amounts of banknotes debited in the accounts of credit institutions or their appointed agents, as appropriate, with the NCBs, shall be treated as a collateralised non-remunerated loan to be paid back in accordance with the provisions laid down in Article 9.

## *Article 9*

### **Debiting and crediting**

1. Euro banknotes and coins frontloaded to credit institutions or to their appointed agents shall be debited in their respective accounts with the NCBs, as the case may be, for their face value, according to the following 'linear debiting model': one-third of the frontloaded sum on 2 January 2002, 23 January 2002, and 30 January 2002 respectively.
2. Euro banknotes and coins delivered to credit institutions or to their appointed agents from 1 January 2002, shall be debited in their respective accounts with NCBs, as the case may be, according to current practice; and euro banknotes and coins returned by credit institutions or their appointed agents from 1 January 2002, shall be credited to their respective accounts with NCBs, as the case may be, according to current practice.
3. Banknotes and coins denominated in national currency units and returned by credit institutions or by their appointed agents shall be credited to their respective accounts with NCBs, as the case may be, according to current practice.

## *Article 10*

### **Coverage of credit risks**

Eligible assets as defined in Article 11 shall be provided to NCBs by close of business on the last business day of 2001, at the latest, as collateral for the amounts of frontloaded banknotes and coins delivered on or before 31 December 2001. The assets referred under Article 11(1) shall be submitted through

appropriate arrangements in accordance with Guideline ECB/2000/7. Sufficient collateral shall be maintained until discharge of the guaranteed obligations.

#### *Article 11*

##### **Eligible assets**

1. All assets considered eligible collateral for Eurosystem credit operations in accordance with ECB Guideline ECB/2000/7 or such other assets as may be approved by the Governing Council on the proposal of an NCB are eligible as collateral for frontloading and sub-frontloading.
2. Cash in the form of a deposit on a dedicated account, remunerated at the same rate as applied for minimum reserves, or in another form deemed appropriate by the NCBs, can also be provided as eligible collateral.

#### *Article 12*

##### **Statistical aspects**

For the purposes of the application of ECB Regulation (EC) No 2819/98 of 1 December 1998 concerning the consolidated balance sheet of the monetary financial institutions sector<sup>5</sup>, as amended by ECB Regulation (EC) No 1921/2000 of 31 August 2000<sup>6</sup>, NCBs shall ensure that MFIs do not record on-balance sheet the positions and transactions relating to frontloaded banknotes and coins between 1 September 2001 and 31 December 2001.

#### *Article 13*

##### **Distribution to branches established inside the euro area**

Subject to the conditions laid down in this Guideline, NCBs shall allow credit institutions or their appointed agents to distribute frontloaded banknotes from 1 September 2001, to their branches established inside the euro area.

#### *Article 14*

##### **Distribution to branches or headquarters located outside the euro area**

Subject to the conditions laid down in this Guideline, in particular to the delivery of appropriate collateral according to Article 4(2), NCBs shall allow credit institutions or their appointed agents to distribute

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<sup>5</sup> OJ L 356, 30.12.1998, p. 7.

<sup>6</sup> OJ L 229, 9.9.2000, p. 34.

frontloaded banknotes from 1 December 2001, to their branches or headquarters located outside the euro area, as appropriate.

## CHAPTER III – SUB-FRONTLOADING

### *Article 15*

#### **Delivery conditions**

1. NCBs shall allow credit institutions or their appointed agents to sub-frontload euro banknotes and coins to third parties from 1 September 2001 until 31 December 2001. Sub-frontloading by credit institutions or by their appointed agents shall take place at their own risk and full responsibility and shall be subject to the conditions laid down by the NCBs in accordance with this Guideline.
2. NCBs may subject sub-frontloading by credit institutions or by their appointed agents to reporting obligations.
3. NCBs shall require that credit institutions or their appointed agents specifically provide in their sub-frontloading arrangements that:
  - (a) third parties receiving euro banknotes pursuant to the above shall not dispose of them in any way before 00.00 of 1 January 2002, local time;
  - (b) third parties receiving frontloaded banknotes shall keep the frontloaded euro banknotes in safe custody;
  - (c) any breach of the obligations of third parties receiving frontloaded banknotes be subject to the payment of contractual penalties, except where such penalties overlap with existing national legislation providing for an equivalent level of protection.

### *Article 16*

#### **Exclusion of the general public**

NCBs shall prohibit credit institutions and their appointed agents from concluding any sub-frontloading arrangements regarding euro banknotes which would have the effect of anticipated circulation of euro banknotes amongst the general public.

### *Article 17*

#### **Coverage of credit risks**

If not provided earlier pursuant to Article 4(2), eligible assets as specified under Article 11 shall be provided to NCBs as collateral from the moment of sub-frontloading and for the amounts of sub-

frontloaded banknotes and coins until discharge of the guaranteed obligations. The assets referred to under Article 11(1) shall be submitted through appropriate arrangements in accordance with Guideline ECB/2000/7.

#### *Article 18*

##### **Sub-frontloading outside the euro area**

1. Notwithstanding paragraph 2, NCBs shall prohibit credit institutions and their appointed agents from sub-frontloading to any other third parties, including retailers, located outside the euro area.
2. NCBs shall allow sub-frontloading to (i) credit institutions, as defined in Article 1(1)(a) of Directive 2000/12/EC of the European Parliament and of the Council which are located outside the euro area and which are subsidiaries of credit institutions whose main place of business is located inside the euro area; and to (ii) other credit institutions, which have neither their registered nor their head office inside the euro area, under the following conditions:
  - (a) the sub-frontloading shall take place from 1 December 2001;
  - (b) the provisions of this Chapter III shall apply;
  - (c) the entities referred to under (i) and (ii) in paragraph 2 shall be prohibited from further sub-frontloading to any other third parties whatsoever.

### **CHAPTER IV – FINAL PROVISIONS**

#### *Article 19*

##### **Verification**

NCBs shall forward to the ECB copies of the legal instruments adopted by them in order to comply with this Guideline by 2 March 2001, at the latest.

#### *Article 20*

##### **Final provision**

1. This Guideline shall not apply to the physical delivery of euro banknotes and coins from NCBs to other central banks located outside the euro area.
2. It is recommended that NCBs apply the provisions of this Guideline that refer to euro coins unless otherwise provided for by the national rules governing the relationship between each NCB and the respective Treasury.

3. This Guideline is addressed to the national central banks of participating Member States.
4. This Guideline shall be published in the *Official Journal of the European Communities*.

Done at Frankfurt am Main on 10 January 2001.

*On behalf of the Governing Council of the ECB*

*The President*

Willem F. DUISENBERG

**CONTRACTUAL OR STATUTORY PENALTIES FOR PUTTING BANKNOTES OR  
COINS INTO CIRCULATION BEFORE 1 JANUARY 2002**

	CONTRACTUAL PENALTIES	STATUTORY PENALTIES
<b>Belgium</b>	5% of the total (sub-) frontloaded euros with respect to which a breach has been established, with a minimum of EUR 10,000.	A Bill is in preparation (it foresees inter alia confiscation of euro banknotes that have been distributed to the general public in advance of E Day.
<b>Germany</b>	8% of the amount of euros put into circulation.	
<b>Spain</b>	10% of the amount put into circulation; the penalties are subject to a maximum limit of EUR 5 million.	
<b>France</b>	10% of the total amount of the frontloaded euros in the books of the entity concerned except if the penalised entity proves that the penalty exceeds the amount of the euros which are concerned by the non-executed obligation.	
<b>Ireland</b>	Penalty is proportional to the damage and shall not exceed a maximum of 3% of the amount of the frontloaded euros.	
<b>Italy</b>	A fine of EUR 25,000, plus EUR 3,000 per banknote lost/distributed to general public before 1/1/2002. The maximum penalty is set at EUR 2 million.	
<b>Luxembourg</b>	10% of the amount of euros put into circulation	

<b>The Netherlands</b>	5% of the nominal value of the total amount of euro banknotes and coins delivered to a credit institution, thereby taking into account all relevant circumstances of the situation.	Section 210 of the Criminal Code punishes the distribution of banknotes and coins that are destined to be circulated as legal tender. The punishment is a maximum of 4 years of imprisonment or a financial penalty of the fifth category.
<b>Austria</b>	5% of the amount of euros that have reached the general public. A lower penalty of 0,2% per day applies in case of infringement of the reporting obligations concerning sub-frontloading to Austrian undertakings and outside the euro area. In case of the infringement of other reporting obligations a fixed penalty of 0,2% of the amount of euros put into circulation applies.	
<b>Portugal</b>	2% of the face value of euros which are concerned by the infringed obligation	
<b>Finland</b>	Penalty for first breach EUR 10,000 and EUR 50,000 for each repeated breach	
<b>Greece</b>	None.	In case of any violation by the frontloaded credit institution of their obligations, the Law on the circulation of euro banknotes and coins entitles Bank of Greece to impose an administrative penalty in the form of a fine in favour of the Greek State. The fine shall be calculated either as a percentage of 10% on the amount of the violation or, if such an amount cannot be determined, as a lump sum of up to EUR 1 million and in any case not less than EUR 10,000. The same law provides that an infringement by any person of the obligation not to put banknotes or coins into circulation before 1 January 2002 is a criminal offence punishable by a pecuniary penalty of an amount of EUR 1,000 to EUR 20,000.

## AN EASY GUIDE TO THE CHANGEOVER

### *Information on the euro banknotes and coins*

- There are seven euro banknote denominations: €5, €10, €20, €50, €100, €200 and €500. They are identical, on both sides, throughout the euro area and feature bridges, windows and gateways, which reflect the theme “the ages and styles of Europe”.
- There are eight euro coin denominations: 1, 2, 5, 10, 20 and 50 cent, €1 and €2. The common sides of the euro coins show the value and are identical in all the euro area countries. The other sides are country-specific and show the head of state or a national symbol.

### *Cash changeover logistics and other measures to ensure a smooth changeover to euro cash*

- Banks, retailers and the cash-operated industry in the euro area will receive euro banknotes and coins, as from 1 September 2001, according to national plans, in order to ensure that adequate cash supplies will be available as from 1 January 2002.
- By 31 December 2001, all bank accounts will be converted to euro automatically and free of charge.
- As from 1 January 2002 it will be possible to use euro banknotes and coins for payments, i.e. they will have legal tender status, all over the euro area, which consists of Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, and Spain.
- Most ATMs (automated teller machines) will start dispensing euro as from 1 January 2002.
- In principle, retailers will give change in euro as from 1 January 2002.
- As from 1 January 2002 the use of euro banknotes and coins will be increasing rapidly, and national banknotes and coins will be withdrawn and not re-issued for circulation.
- Exchange of national banknotes for euro will take place at credit institutions, national central banks or dedicated exchange points. Genuine euro banknotes will only be available for the general public as from 1 January 2002. Do not accept, or exchange against, euro banknotes prior to this date.
- The bulk of cash transactions will be in euro by mid-January 2002.
- In general, banks will exchange national currency against euro free of charge up to the end of February 2002. In some countries this will be limited to “household” amounts and/or to the banks’ own customers.



- It will be possible to exchange national banknotes of the other euro area countries free of charge until the end of March 2002 at points designated by the national central banks of the Eurosystem. It will not be possible, in principle, to exchange coins of other euro area countries.
- National central banks will exchange their respective national banknotes against euro free of charge at least until the end of 2012; coins may be exchanged free of charge at least until the end of 2002. In most countries the exchange periods are longer or even indefinite.

### *Tips for the general public*

- Pay attention to the details of the euro banknotes and coins as provided in the euro information campaigns and familiarise yourself with the security features.
- Return to the banks, or use up hoarded cash, in particular coins, in the course of 2001.
- Buy coin starter kits when they become available and use the coins as from 1 January 2002. (The starter kits are not collector's items and are not meant to be kept). Bear in mind that the coins cannot be used before 1 January 2002.
- Avoid mixing euro and national banknotes and coins for payments in order to facilitate transactions.
- Use exact amounts for payments.
- Try to "avoid the rush" by exchanging hoarded national cash, or depositing it at banks either before or after the busy period in early January.
- Use national coins of other euro area countries in the countries of issue before the end of the changeover period or exchange them afterwards at the respective national central bank, or donate them to charity.

**GUIDELINE OF THE EUROPEAN CENTRAL BANK  
of 20 July 2000**

**ON THE IMPLEMENTATION OF ARTICLE 52  
OF THE STATUTE OF THE EUROPEAN SYSTEM OF CENTRAL BANKS  
AND OF THE EUROPEAN CENTRAL BANK  
AFTER THE END OF THE TRANSITIONAL PERIOD  
(ECB/2000/6)**

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty establishing the European Community (hereinafter referred to as the “Treaty”) and in particular to Article 106 (1) thereof and to Articles 12.1, 14.3 and 52 of the Statute of the European System of Central Banks and of the European Central Bank (hereinafter referred to as the “Statute”),

- (1) Whereas Article 52 of the Statute empowers the Governing Council of the European Central Bank (ECB) to take the necessary measures to ensure that banknotes denominated in currencies with irrevocably fixed exchange rates are exchanged by the national central banks at their respective par values;
- (2) Whereas the objective of Article 52 of the Statute is to ensure a high degree of substitutability between the national currency units after the adoption of the conversion rates referred to in Article 123 (4) of the Treaty and the issuance of the euro banknotes; whereas, to that end, the Governing Council of the ECB is to ensure that each national central bank is ready to exchange, at the conversion rates, any banknote issued by the national central bank of another Member State without a derogation into euro banknotes;

- (3) Whereas the national central banks shall ensure that banknotes of other participating Member States can be either exchanged against euro banknotes and coins or, according to national legislation, credited to an account; whereas national central banks shall ensure that the exchange of banknotes of other participating Member States against euro banknotes and coins can be performed at par value; whereas national central banks are obliged to provide such service themselves or to appoint an agent to perform this service on their behalf;
- (4) Whereas the Governing Council of the ECB is determined to ensure that each national central bank is ready to exchange, at the conversion rates, any banknote issued by the national central bank of another Member State without a derogation into euro banknotes;
- (5) Whereas, in accordance with Articles 12.1 and 14.3 of the Statute, ECB guidelines form an integral part of Community law;

HAS ADOPTED THIS GUIDELINE:

### **Article 1**

#### *Definitions*

For the purposes of this guideline:

- “banknotes of other participating Member States” shall mean banknotes issued by a national central bank which were legal tender on 31 December 2001 that are presented to another national central bank or to its appointed agent for exchange;
- “exchange of banknotes of other participating Member States” shall mean the exchange of banknotes issued by a national central bank and presented to another national central bank or to its appointed agent to be exchanged against euro banknotes and coins or against the crediting of funds to an account;
- “NCBs” shall mean the national central banks of Member States that have adopted the single currency in accordance with the Treaty;
- “par value” shall mean the value resulting from the conversion rates adopted by the EU Council under Article 123 (4) of the Treaty without any spread between “buying and selling rates”;
- “participating Member States” shall mean all Member States which have adopted the single currency in accordance with the Treaty.

## **Article 2**

### *Obligation to exchange at par value*

1. The NCBs shall, at least in one location in the national territory, by themselves or through their appointed agent, ensure that banknotes of other participating Member States can be either exchanged against euro banknotes and coins or, upon request, credited to an account with the institution effecting the exchange, if the national legislation provides for such possibility, in both cases at their respective par value.
2. NCBs may limit the number and/or the total value of banknotes of other participating Member States that they are prepared to accept for any given transaction or on any one day.

## **Article 3**

### *Banknotes which qualify for exchange*

Banknotes of other participating Member States that qualify for exchange under this guideline must not be badly mutilated. In particular, they must not consist of more than two parts of the same banknote joined together or have been damaged by anti-theft equipment.

## **Article 4**

### *Final provisions*

This guideline is applicable to all banknotes of other participating Member States presented for exchange between 1 January 2002 and 31 March 2002.

This guideline is addressed to the national central banks of participating Member States.

This guideline shall be published in the *Official Journal of the European Communities*.

Done at Frankfurt am Main on 20 July 2000.

On behalf of the Governing Council of the ECB

[signed]

Willem F. Duisenberg

**GUIDELINE OF THE EUROPEAN CENTRAL BANK****of 13 September 2001****ADOPTING CERTAIN PROVISIONS ON THE FRONTLOADING OF EURO BANKNOTES  
OUTSIDE THE EURO AREA****(ECB/2001/8)**

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty establishing the European Community, and in particular to Article 106(1) thereof, and to Article 16 of the Statute of the European System of Central Banks and of the European Central Bank,

Whereas:

- (1) According to Article 10 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro<sup>1</sup>, from 1 January 2002, "...the ECB and the central banks of the participating Member States shall put into circulation banknotes denominated in euro".
- (2) Guideline ECB/2001/1 of 10 January 2001 adopting certain provisions on the 2002 cash changeover<sup>2</sup> allows frontloading of euro banknotes to credit institutions that are eligible for monetary policy operations of the Eurosystem under certain conditions. Furthermore, the Guideline allows to a limited extent sub-frontloading to (i) credit institutions which are located outside the euro area and which are subsidiaries of credit institutions whose main place of business is located inside the euro area; and (ii) other credit institutions which have neither their registered nor their head office inside the euro area.
- (3) Frontloading to central banks outside the euro area could contribute to the smooth changeover to euro banknotes; therefore, frontloading to central banks outside the euro area, and their subsequent sub-frontloading operations to credit institutions in their jurisdictions, should be allowed under certain conditions.
- (4) In addition, the existing distribution channels provided by non-euro area credit institutions specialising in the wholesale distribution of banknotes to other credit institutions could also be

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<sup>1</sup> OJ L 139, 11.5.1998, p. 1.

<sup>2</sup> OJ L 55, 24.2.2001, p. 80.

used for the cash changeover, thereby contributing to the smooth changeover to euro banknotes; therefore, frontloading to these institutions, and their subsequent sub-frontloading to other credit institutions outside the euro area, should be allowed under certain conditions.

- (5) In order to comply with Article 10 of Council Regulation (EC) No 974/98, frontloading, and subsequent sub-frontloading, should not result in anticipated circulation of euro banknotes amongst the general public; thus the conditions for frontloading to central banks outside the euro area and non-euro area credit institutions specialising in the wholesale distribution of banknotes to other credit institutions must contain restrictions in order to avoid euro banknotes being put into circulation before 1 January 2002.
- (6) Frontloading to central banks outside the euro area and non-euro area credit institutions specialising in the wholesale distribution of banknotes to other credit institutions entails financial risk for the frontloading national central banks (NCBs); consequently, both central banks and specialised credit institutions must provide the relevant frontloading NCB with collateral, which shall be denominated in euro unless otherwise agreed.
- (7) Central banks outside the euro area and non-euro area credit institutions specialising in the wholesale distribution of banknotes to other credit institutions are not counterparties to Eurosystem operations and therefore must settle the payment for the frontloaded amounts on the first business day of 2002.
- (8) The conditions laid down in this Guideline regarding frontloading and subsequent sub-frontloading must be incorporated in NCBs' legal documentation concluded with the recipient central banks outside the euro-area and non-euro area specialised credit institutions; the European Central Bank (ECB) should be informed *ex ante* about requests for frontloading for coordination purposes.
- (9) It is acknowledged that while the primary competence for establishing the regime for the issue of euro coins lies with the participating Member States, NCBs play an essential role in the distribution of euro coins; it is recommended therefore that NCBs apply the provisions of this Guideline to euro coins; this application is of a supplementary nature and shall take place within the framework set up by the competent national authorities; it is worth mentioning in this respect that Council Regulation (EC) No 974/98 and in particular Article 11 of it shall in any case apply.
- (10) In accordance with Article 12.1 and Article 14.3 of the Statute of the European System of Central Banks and of the European Central Bank, ECB guidelines form an integral part of Community law.

HAS ADOPTED THIS GUIDELINE:

*Article 1*

**Definitions**

For the purposes of this Guideline:

- “credit institutions” shall mean the institutions as defined in Article 1(1) of Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions<sup>3</sup>, as amended by Directive 2000/28/EC<sup>4</sup>,
- “non-euro area specialised credit institutions” shall mean credit institutions which (i) have neither their registered nor their head office inside the euro area; and (ii) specialise in the wholesale distribution of banknotes to other credit institutions,
- “national central bank” shall mean the NCB of a euro area Member State,
- “euro area” shall mean the territory of the participating Member States,
- “central banks outside the euro area” shall mean central banks and monetary authorities of non-participating Member States, as well as of third countries,
- “frontloading” shall mean the physical delivery of euro banknotes from NCBs to central banks outside the euro area, as well as to non-euro area specialised credit institutions between 1 and 31 December 2001,
- “sub-frontloading” shall mean the delivery of frontloaded euro banknotes by central banks outside the euro area or by non-euro area specialised credit institutions to credit institutions between 1 and 31 December 2001.

*Article 2*

**Frontloading to central banks outside the euro area**

NCBs shall be entitled to frontload euro banknotes to central banks outside the euro area provided that NCBs' contractual arrangements with them contain the following conditions:

- (a) central banks outside the euro area may only be frontloaded from 1 December 2001,
- (b) central banks outside the euro area shall not put the frontloaded euro banknotes into circulation before 00.00 local time on 1 January 2002.

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<sup>3</sup> OJ L 126, 26.5.2000, p. 1.

<sup>4</sup> OJ L 275, 27.10.2000, p. 37.

- (c) central banks outside the euro area shall store the frontloaded euro banknotes which remain the property of the relevant frontloading NCB safely in order to avoid theft, robbery or damage and they shall cover at least, such risks by subscribing to appropriate insurance policies or by any other appropriate means,
- (d) central banks outside the euro area shall settle the payment for the frontloaded euro banknotes on 2 January 2002,
- (e) central banks outside the euro area shall provide NCBs with adequate collateral from the time of frontloading and for the amounts of frontloaded euro banknotes. Such collateral shall be provided through repurchase or pledge arrangements. It shall be denominated in euro unless otherwise agreed. Cash in the form of a deposit or in another form deemed appropriate by the NCBs can also be provided as eligible collateral. Sufficient collateral shall be maintained until the payment by the central banks outside the euro area to the relevant NCB has been fully and properly settled,
- (f) central banks outside the euro area may only sub-frontload euro banknotes to credit institutions having their head or registered office in their jurisdictions. This sub-frontloading shall take place under the following conditions:
  - sub-frontloading shall only be possible from 1 December 2001,
  - the recipient credit institutions shall not further sub-frontload or otherwise dispose of sub-frontloaded banknotes before 00.00 local time on 1 January 2002,
  - the recipient credit institutions shall store the sub-frontloaded euro banknotes safely in order to avoid theft, robbery or damage and they shall cover those risks by subscribing to appropriate insurance policies or by any other appropriate means,
  - central banks outside the euro area shall have the right at any time to audit and inspect the sub-frontloaded euro banknotes and also the fulfilment of the two conditions set forth herein concerning non-disposal and safe storage of the euro banknotes,
  - the recipient credit institutions shall apply appropriate measures against money laundering in connection with sub-frontloaded euro banknotes,
  - the statutory or contractual arrangements of the central banks outside the euro area with the recipient credit institutions shall subject the latter to financial penalties amounting to 10% of the value of the sub-frontloaded euro banknotes in the event of non-compliance by the latter with one or more of the above obligations. The said statutory or contractual arrangements shall specify the destination of these financial penalties, which shall be paid to the relevant sub-frontloading central bank outside the euro area and shall be forwarded by the latter to the relevant frontloading NCB.



- (g) central banks outside the euro area shall be required to provide frontloading NCBs upon request with information on the identity of their sub-frontloaded customers, as well as the amounts of sub-frontloaded banknotes per individual customer. NCBs shall treat such information as confidential and shall only use it to monitor compliance by central banks outside the euro area with their contractual obligations with the relevant frontloading NCB,
- (h) in any case central banks outside the euro area shall be required to apply appropriate measures against money-laundering in connection with frontloaded euro banknotes.

### *Article 3*

#### **Frontloading to non-euro area specialised credit institutions**

NCBs shall be entitled to frontload euro banknotes to non-euro area specialised credit institutions provided that the contractual arrangements of the NCBs with them contain the following minimum conditions:

- (a) frontloading to non-euro area specialised credit institutions shall only be possible from 1 December 2001; the said specialised credit institutions shall not put the frontloaded euro banknotes into circulation before 00.00 local time on 1 January 2002,
- (b) non-euro area specialised credit institutions shall store the frontloaded euro banknotes safely in order to avoid theft, robbery or damage and they shall cover those risks at least, by subscribing to appropriate insurance policies or by any other appropriate means,
- (c) non-euro area specialised credit institutions shall settle the payment for the frontloaded euro banknotes on 2 January 2002,
- (d) non-euro area specialised credit institutions shall provide NCBs with adequate collateral from the time of frontloading and for the amounts of frontloaded euro banknotes. Such collateral shall be provided through repurchase or pledge arrangements. It shall be denominated in euro unless otherwise agreed. Cash in the form of a deposit or in another form deemed appropriate by the NCBs can also be provided as eligible collateral. Sufficient collateral shall be maintained until the payment by the relevant non-euro area credit institution to the relevant NCB has been fully and properly settled,
- (e) non-euro area specialised credit institutions shall be required to provide frontloading NCBs upon request with information on the identity of their sub-frontloaded customers, as well as the amounts of sub-frontloaded banknotes per individual customer. NCBs shall treat such information as confidential and shall only use it to monitor the compliance of non-euro area specialised credit institutions with their contractual obligations with the relevant frontloading NCB. In any case, non-euro area specialised credit institutions shall also be required by the relevant frontloading NCB to apply appropriate measures against money-laundering in connection with frontloaded euro banknotes,

- (f) non-euro area specialised credit institutions shall be subject to penalties amounting to 10% of the value of the frontloaded euro banknotes in the event of their non-compliance with one or more of the obligations set forth in this Article as a result of their own non-compliance or of that of the credit institutions that they sub-frontload in accordance with (g) below. These penalties will be due to the relevant frontloading NCB,
- (g) non-euro area specialised credit institutions shall be entitled to sub-frontload euro banknotes to other credit institutions outside the euro area under the following conditions:
- sub-frontloading shall only be possible from 1 December 2001,
  - non euro-area specialised credit institutions shall ensure that the euro banknotes frontloaded to them are not put into circulation by the recipient credit institutions to which they sub-frontload before 00.00 local time on 1 January 2002,
  - the recipient credit institutions shall store the sub-frontloaded euro banknotes safely in order to avoid theft, robbery or damage and they shall cover such risks, at least by subscribing to appropriate insurance policies or by any other appropriate means,
  - the recipient credit institutions outside the euro area shall be required to apply appropriate measures against money-laundering in connection with sub-frontloaded euro banknotes,
  - the contractual arrangements of non-euro area specialised credit institutions with the recipient credit institutions shall subject the latter to financial penalties amounting to 10% of the value of the sub-frontloaded euro banknotes in the event of the latter's non-compliance with any of the above obligations,
  - the relevant frontloading NCB shall have the right to audit and inspect the implementation of sub-frontloading arrangements.

#### *Article 4*

##### **Provision of information to the ECB and recommendation concerning euro coins**

1. NCBs shall inform the ECB of each individual request to frontload euro banknotes presented to them by central banks outside the euro area, or by non-euro area specialised credit institutions, and of their intention in connection with such request prior to taking any decision on it. NCBs shall subsequently inform the ECB of such a decision when it differs from the information previously given to the ECB.
2. It is recommended that NCBs apply the provisions of this Guideline to euro coins unless otherwise provided for within the framework set up by the competent national authorities.

*Article 5*

**Final provisions**

1. This Guideline shall enter into force on 1 October 2001.
2. This Guideline is addressed to the NCBs.
3. This Guideline shall be published in the *Official Journal of the European Communities*.

Done at Frankfurt am Main on 13 September 2001.

*On behalf of the Governing Council of the European Central Bank*

[signed]

Willem F. DUISENBERG

**GUIDELINE OF THE EUROPEAN CENTRAL BANK****of 25 October 2001****AMENDING GUIDELINE ECB/2000/6 OF 20 JULY 2000****ON THE IMPLEMENTATION OF ARTICLE 52 OF THE STATUTE OF THE EUROPEAN SYSTEM OF CENTRAL BANKS AND OF THE EUROPEAN CENTRAL BANK AFTER THE END OF THE TRANSITIONAL PERIOD****(ECB/2001/10)**

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty establishing the European Community and in particular to Article 106(1) thereof and to Articles 16 and 52 of the Statute of the European System of Central Banks and of the European Central Bank (hereinafter referred to as the “Statute”),

Whereas:

- (1) Guideline ECB/2000/6 of 20 July 2000 on the implementation of Article 52 of the Statute of the European System of Central Banks and of the European Central Bank after the end of the transitional period<sup>1</sup> contains the conditions under which national central banks (NCBs) of participating Member States will exchange banknotes of other participating Member States at their respective par value. Article 3 thereof states that banknotes that qualify for exchange must not be badly mutilated and specifically mentions two categories of banknotes that do not qualify for exchange.
- (2) Some NCBs have decided to implement schemes for the marking of national banknotes after 1 January 2002, which aim at facilitating and protecting the withdrawal of the national banknotes. The purpose of marking is to discourage the acceptance by the general public of national banknotes and the continued use of national banknotes as legal tender.
- (3) In view of the general obligation to exchange banknotes of other participating Member States, it must be ensured that marked banknotes are excluded, i.e. that marked banknotes are treated in the same way as mutilated banknotes. Therefore, Article 3 of Guideline ECB/2000/6 will have

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<sup>1</sup> OJ L 55, 24.2.2001, p. 66.

to be amended accordingly, in order that marked banknotes are explicitly mentioned among the categories of banknotes that do not qualify for exchange.

- (4) Furthermore, it is acknowledged that information on the marking procedures in the different Member States should be made available on the ECB website.
- (5) In accordance with Article 12.1 and Article 14.3 of the Statute, ECB guidelines form an integral part of Community law,

HAS ADOPTED THIS GUIDELINE:

#### *Article 1*

##### **Introduction of new recital**

In Guideline ECB/2000/6, the following new recital 4a shall be inserted:

‘Whereas it is acknowledged that, as a general rule, badly mutilated banknotes do not qualify for exchange, and specific reference will be made to certain categories of banknotes that will be excluded from the exchange rules; whereas marking schemes will be implemented by some NCBs of participating Member States with the aim of facilitating and protecting the withdrawal of the national banknotes, and therefore marked banknotes will be explicitly mentioned among the banknotes that do not qualify for exchange; whereas it is deemed necessary to make information on the marking procedures in the different Member States available on the ECB website;’.

#### *Article 2*

##### **Amendment to Article 1**

In Article 1 of Guideline ECB/2000/6, the following text shall be added after the fourth indent:

“‘marking” shall mean the identification of the national banknotes with a distinctive and specific symbol, e.g. holes punched by perforators, which will be carried out by authorised institutions in implementation of legal measures taken at the level of each participating Member State, with the aim of facilitating the withdrawal of the national banknotes from circulation;’.

#### *Article 3*

##### **Amendment to Article 3**

Article 3 of Guideline ECB/2000/6 shall be amended to read as follows:

‘Banknotes of other participating Member States that qualify for exchange under this Guideline shall not be badly mutilated. In particular, the banknotes shall not consist of more than two parts of the

same banknote joined together or have been damaged by anti-theft devices. In addition they shall not have been marked or have been damaged in a manner that makes it impossible to check the presence of marking.’.

#### *Article 4*

#### **Final provisions**

This Guideline is applicable to all banknotes of other participating Member States presented for exchange between 1 January 2002 and 31 March 2002.

This Guideline is addressed to the NCBs of participating Member States.

This Guideline shall be published in the *Official Journal of the European Communities*.

Done at Frankfurt am Main on 25 October 2001.

*On behalf of the Governing Council of the ECB*

Willem F. DUISENBERG

**A G R E E M E N T**

between

**THE EUROPEAN POLICE OFFICE  
– EUROPOL –**

and

**THE EUROPEAN CENTRAL BANK  
– ECB –**

THIS AGREEMENT is made

BETWEEN

the European Police Office (Europol), which has its seat at Raamweg 47, NL-2509 The Hague, the Netherlands, represented by its Director, Mr. Jürgen Storbeck

AND

the European Central Bank (ECB), which has its seat at Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany, represented by its President, Mr. Willem Duisenberg

(hereinafter also, jointly the 'Parties' and each of them, individually, the 'Party').



Whereas:

The Parties share a joint determination to combat the threats arising from counterfeiting of the euro and to play a central role in this fight; and in this context they cooperate, within their respective competencies, with the national central banks, the Europol National Units, the National Analysis Centres, the Coin National Analysis Centres, the European Technical and Scientific Centre, the European Commission and other national and European authorities and international organisations.

The Parties wish to enhance their cooperation in this field since it is in their common interest and in the interest of all participants in the fight against counterfeiting.

Article 3(3) of Council Regulation (EC) No 1338/2001 laying down measures necessary for the protection of the euro against counterfeiting<sup>1</sup> provides that Europol and the ECB will enter into an agreement by means of which Europol has access to the technical and statistical data held by the ECB relating to counterfeit banknotes and coins discovered both in Member States and in non-member countries; also Council Regulation (EC) No 1339/2001 extends the application of Regulation 1338/2001 to those Member States which have not adopted the euro as their single currency<sup>2</sup>.

The ECB has adopted on 8 November 2001 Decision ECB/2001/11 on certain conditions regarding access to the Counterfeiting Monitoring System (CMS), which is the ECB-managed system containing technical and statistical information on counterfeiting of euro banknotes and coins, whether originating in Member States or in third countries; that Decision refers to entering into an agreement between the Parties in connection with the access of Europol to the CMS.

Europol will provide the ECB with information related to counterfeiting of the euro, including information received from law enforcement agencies, international organisations and other third parties, but excluding personal data.

The Management Board of Europol authorised Europol on 5 December 2000 to enter into negotiations on an agreement with the ECB and authorised the signing of this Agreement on 23 October 2001.

The Governing Council of the ECB agreed on the contents of this Agreement on 25 October 2001 and on that date authorised the President of the ECB to sign it on behalf of the ECB,

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<sup>1</sup> OJ L 181, 4.7.2001, p. 6.

<sup>2</sup> OJ L 181, 4.7.2001, p. 11.

The Parties have agreed as follows:

#### *Article 1*

##### **Purpose of the Agreement**

The purpose of this Agreement is to provide for effective cooperation between the Parties in relation to measures to combat the threats arising from counterfeiting of the euro, and to enhance and coordinate any assistance in this area provided by both Parties to the national and European authorities and to international organisations.

#### *Article 2*

##### **Consultation and coordination**

1. The Parties, acting in accordance with their respective competencies, shall consult each other regularly on policies to be adopted and implemented on matters of common interest as indicated in Article 1 in order to achieve their objectives, coordinate their activities and avoid duplication of effort. The President of the ECB and the Director of Europol, or the persons designated by them, shall meet at least once a year to review the implementation of this Agreement.
2. In particular, the Parties shall undertake to coordinate their policies, training activities, public information campaigns and publications relating to counterfeiting of the euro. Whenever possible, they shall also consult each other on their public statements and external communication policy in connection therewith.

#### *Article 3*

##### **Exchange of information**

1. Exchange of information between the Parties shall take place for the purpose of and in accordance with the provisions of this Agreement, and will not include data related to an identified individual or identifiable individuals.
2. The Parties shall provide each other promptly and regularly with information regarding counterfeiting of the euro banknotes and of other currencies. Such information shall include, in the case of the information to be provided by Europol to the ECB, information originating from national, European and international law enforcement authorities, and in the case of the information

to be provided by the ECB to Europol, information obtained from national, European and international authorities.

3. Europol shall assist the ECB in any relationship with national, European and international law enforcement organisations in matters related to the counterfeiting of euro banknotes.
4. The Parties shall ensure coordination of their early warning system messages.

#### *Article 4*

##### **Access to the CMS database and related provisions**

1. The ECB shall grant on-line read-only access to the CMS database to the officials of Europol designated as contact persons for this purpose under Article 7, which access shall not allow Europol to directly introduce data into the CMS. The modalities of access, including the necessary systems-related arrangements, shall be further specified by means of an exchange of letters between the President of the ECB and the Director of Europol.
2. A specific file with information on euro counterfeit discoveries and technical descriptions of the classes captured and introduced into the CMS database shall be produced regularly by the ECB and sent to Europol.
3. In addition, Europol shall be promptly informed by the ECB of the creation of every new class of counterfeit within the CMS and of the discovery of any large quantity of counterfeit euro banknotes.
4. The ECB shall provide Europol with one sample of each counterfeit euro banknote that has been assigned a new class indicative in the CMS. This provision shall be implemented in such a way that it does not prevent suspected counterfeit banknotes from being used or retained as evidence in criminal procedures.

#### *Article 5*

##### **Requests for assistance**

1. The Parties shall communicate to each other all requests for the provision of technical expertise or evidence in judicial proceedings with regard to counterfeiting of the euro and establish appropriate procedures for coordinating their respective responses to each such request.
2. The Parties shall cooperate to establish a clear channel of communication for requests for law enforcement assistance through Europol.

## *Article 6*

### **Requests for technical analysis**

1. Europol may send to the ECB any relevant request for technical analysis needed in the context of Europol's activities on counterfeit euro banknotes. Europol shall collect and forward any such requests originating outside Europol.
2. The ECB shall decide on the scope of the analysis, including the need for technical examination of samples of counterfeits and the nature of such examination. In order to facilitate this decision of the ECB, Europol shall inform the ECB when submitting the request of any appropriate background information of the case and also of the reasons justifying the request for examination. The existence of any on-going examination shall be reflected on the CMS.
3. The results of each technical analysis shall be made directly available by the ECB to Europol.

## *Article 7*

### **Contact persons**

1. The Parties shall designate contact persons by means of an exchange of letters between the Director of Europol and the President of the ECB. Changes to the list of contact persons may be agreed in writing by means of further correspondence.
2. Both Parties may, in accordance with their respective legal framework, designate representatives who will be based at the premises of the other Party (liaison officers) for the purpose of implementation of this Agreement

## *Article 8*

### **Confidentiality**

1. Each Party shall ensure that information received on the basis of this Agreement from the other Party will be subject to its confidentiality and security standards for the processing of information, and will receive a level of protection which is at least equivalent to the level of protection offered by the measures applied to that information by the other Party.
2. The Parties shall establish an equivalence between their respective confidentiality and security used standards by means of an exchange of letters.
3. The Party supplying the information shall be responsible for the choice of the appropriate confidentiality level for information supplied and shall ensure that the level is clearly indicated. In

accordance with the principle of proportionality, confidentiality levels shall be attributed at the lowest possible level by each Party and amended accordingly wherever possible.

4. Both Parties may at any time request an amendment of the chosen confidentiality level for information supplied, including the possible removal of confidentiality. The receiving Party shall be obliged to amend the confidentiality level accordingly.
5. Either Party may, for reasons of confidentiality, specify restrictions on the usage of data supplied to the other Party. The receiving Party shall comply with any such restrictions.

#### *Article 9*

##### **Liability**

If damage is caused to one Party or to an individual as a result of unauthorised or incorrect information processing under this Agreement by the other Party, that Party shall be liable for such damage. The determination and compensation of damage between the Parties under this Article shall be established in accordance with the procedure laid down in Article 10.

#### *Article 10*

##### **Settlement of disputes**

Any dispute between the Parties arising out of or in connection with this Agreement which is not settled amicably shall be referred for a definitive decision to one or more arbitrators, as the Parties may agree. Should they not agree, the arbitrators shall be three (3) arbitrators, one appointed by Europol, one other by the ECB and the third, unless the Parties otherwise agree, by the President of the Court of Justice of the European Communities. A majority vote of the arbitrators shall be sufficient to reach a binding decision. The third arbitrator shall have full power to settle all questions of procedure in any case where the Parties are in disagreement on such questions.

*Article 11*

**Final provisions**

1. This Agreement may be amended by mutual consent between the Parties.
2. Either party may terminate this Agreement with 12 months' prior notice.
3. This Agreement shall enter into force on the day after its signature.
4. This Agreement shall be published in the C series of the *Official Journal of the European Communities*.

Done at Frankfurt am Main on 13 December 2001, in two copies in the English language.

*For the ECB*

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*Willem F. DUISENBERG*

**STATISTICAL OVERVIEW ON THE  
PROGRESS OF THE 2002 CASH CHANGEOVER**

## CIRCULATION OF EURO BANKNOTES AND COINS

**Aggregated data of the Eurosystem as at 1 March 2002**  
(figures in million)

<b>Banknotes</b>	<b>pieces</b>		<b>EURO</b>	
500	81.2	1.1%	40,607.4	16.3%
200	89.1	1.2%	17,824.4	7.2%
100	443.1	5.9%	44,305.4	17.8%
50	1,633.4	21.8%	81,670.5	32.8%
20	1,934.7	25.8%	38,693.2	15.5%
10	1,828.1	24.4%	18,280.8	7.3%
5	1,495.8	19.9%	7,478.8	3.0%
<b>total</b>	<b>7,505.3</b>	<b>100.0%</b>	<b>248,860.6</b>	<b>100.0%</b>

<b>Coins</b>	<b>pieces</b>		<b>EURO</b>	
2.00	2,217.2	6.2%	4,434.4	38.7%
1.00	3,188.3	8.9%	3,188.3	27.8%
0.50	3,927.1	11.0%	1,963.5	17.1%
0.20	4,586.0	12.8%	917.2	8.0%
0.10	5,204.9	14.5%	520.5	4.5%
0.05	5,463.7	15.3%	273.2	2.4%
0.02	5,606.9	15.7%	112.1	1.0%
0.01	5,610.4	15.7%	56.1	0.5%
<b>total</b>	<b>35,804.5</b>	<b>100.0%</b>	<b>11,465.3</b>	<b>100.0%</b>

<b>Euro cash in circulation</b>	<b>260,325.9</b>
<b>National banknotes in circulation</b>	<b>37,482</b>



## EURO PROGRESS RATIO PER NCB

\*\*\* BANKNOTES\*\*\*

Date	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
02-Jan-02	38%	47%	43%	20%	25%	38%	25%	90%	33%	50%	28%	51%
03-Jan-02	40%	50%	44%	23%	28%	39%	27%	91%	35%	52%	30%	53%
04-Jan-02	44%	54%	46%	27%	31%	41%	29%	92%	39%	54%	32%	56%
07-Jan-02	47%	57%	48%	30%	34%	46%	31%	93%	44%	58%	35%	58%
08-Jan-02	50%	60%	50%	33%	36%	48%	32%	94%	47%	60%	37%	60%
09-Jan-02	53%	62%	51%	37%	38%	51%	33%	94%	50%	62%	38%	62%
10-Jan-02	55%	64%	58%	40%	40%	53%	35%	94%	53%	63%	40%	63%
11-Jan-02	57%	65%	58%	43%	42%	56%	37%	95%	57%	65%	42%	66%
14-Jan-02	60%	67%	60%	45%	44%	59%	38%	95%	59%	67%	44%	68%
15-Jan-02	62%	68%	57%	48%	46%	61%	40%	96%	61%	68%	45%	69%
16-Jan-02	64%	69%	59%	51%	48%	63%	41%	96%	63%	70%	47%	70%
17-Jan-02	65%	70%	60%	53%	49%	65%	43%	96%	65%	71%	48%	71%
18-Jan-02	67%	71%	61%	56%	51%	66%	44%	97%	67%	71%	50%	70%
21-Jan-02	68%	72%	62%	58%	53%	68%	46%	97%	68%	74%	52%	72%
22-Jan-02	69%	73%	64%	61%	54%	69%	48%	97%	69%	75%	53%	72%
23-Jan-02	71%	74%	65%	63%	55%	71%	49%	97%	70%	76%	54%	73%
24-Jan-02	72%	75%	66%	64%	57%	72%	51%	97%	71%	77%	56%	74%
25-Jan-02	73%	75%	68%	66%	58%	73%	52%	98%	73%	78%	58%	75%
28-Jan-02	74%	76%	69%	68%	59%	74%	54%	98%	74%	80%	60%	75%
29-Jan-02	75%	77%	71%	69%	61%	75%	55%	98%	75%	81%	61%	76%
30-Jan-02	76%	77%	72%	71%	62%	76%	56%	98%	76%	82%	63%	76%
31-Jan-02	76%	78%	73%	72%	63%	77%	58%	98%	77%	83%	64%	77%
01-Feb-02	77%	78%	74%	73%	64%	78%	60%	98%	78%	84%	65%	78%
04-Feb-02	78%	79%	75%	75%	65%	79%	62%	98%	79%	84%	67%	79%
05-Feb-02	79%	80%	76%	76%	66%	79%	63%	99%	80%	85%	68%	79%
06-Feb-02	79%	80%	77%	77%	67%	80%	64%	99%	80%	86%	69%	80%
07-Feb-02	80%	81%	78%	78%	68%	81%	66%	99%	81%	86%	70%	80%
08-Feb-02	81%	81%	79%	79%	69%	82%	67%	99%	82%	87%	71%	81%
11-Feb-02	81%	82%	80%	80%	71%	83%	69%	99%	82%	87%	73%	81%
12-Feb-02	82%	82%	80%	81%	71%	83%	70%	99%	83%	87%	73%	81%
13-Feb-02	83%	83%	81%	82%	72%	84%	72%	99%	83%	88%	74%	82%
14-Feb-02	83%	83%	82%	82%	73%	85%	73%	99%	83%	88%	75%	83%
15-Feb-02	83%	84%	82%	83%	74%	86%	74%	99%	83%	88%	76%	83%
18-Feb-02	84%	84%	84%	84%	75%	86%	76%	99%	84%	88%	78%	83%
19-Feb-02	85%	84%	84%	85%	76%	87%	77%	99%	84%	89%	79%	84%
20-Feb-02	85%	85%	85%	85%	77%	87%	78%	99%	85%	89%	80%	84%
21-Feb-02	85%	85%	86%	86%	77%	87%	79%	99%	85%	89%	80%	85%
22-Feb-02	86%	85%	86%	87%	78%	87%	80%	99%	85%	90%	81%	85%
25-Feb-02	86%	86%	87%	87%	78%	87%	82%	99%	86%	90%	82%	85%
26-Feb-02	87%	86%	88%	88%	79%	88%	83%	99%	86%	90%	83%	86%
27-Feb-02	88%	87%	89%	89%	79%	88%	84%	99%	86%	91%	83%	86%
28-Feb-02	88%	87%	90%	89%	80%	88%	85%	99%	86%	91%	84%	87%

## CIRCULATION OF NATIONAL BANKNOTES AS OF 1 JANUARY 2002 UNTIL 28 FEBRUARY 2002

(value in millions of euro)

Date	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI	total
31-Dec-01	9,219	76,476	8,508	46,228	31,530	4,316	64,676	69	10,877	10,172	5,573	2,374	270,018
01-Jan-02	9,219	76,476	8,508	46,228	31,530	4,316	64,676	69	10,877	10,172	5,573	2,374	270,018
02-Jan-02	8,877	71,402	7,776	45,520	29,706	3,837	62,960	65	10,034	9,782	5,286	1,800	257,045
03-Jan-02	8,518	66,327	7,416	44,693	28,742	3,634	60,785	62	9,573	9,410	5,089	1,684	245,933
04-Jan-02	7,925	60,633	6,842	43,816	27,883	3,389	59,217	59	9,037	8,977	4,941	1,559	234,278
07-Jan-02	7,370	54,837	6,355	42,192	26,760	2,948	57,337	55	8,164	8,115	4,675	1,436	220,244
08-Jan-02	6,914	50,411	6,010	41,019	25,989	2,753	55,767	53	7,594	7,722	4,453	1,373	210,058
09-Jan-02	6,468	46,665	5,654	39,464	25,152	2,532	54,340	51	7,009	7,325	4,308	1,278	200,249
10-Jan-02	6,056	43,514	4,716	37,822	24,347	2,342	52,875	50	6,499	6,991	4,177	1,207	190,594
11-Jan-02	5,687	40,851	4,601	35,984	23,496	2,143	51,368	47	5,944	6,669	4,023	1,092	181,905
14-Jan-02	5,285	38,123	4,309	33,560	22,511	1,867	48,998	45	5,522	6,007	3,794	1,013	171,017
15-Jan-02	4,908	35,900	4,414	31,611	21,706	1,763	47,473	42	5,070	5,669	3,634	956	163,145
16-Jan-02	4,593	34,023	4,156	29,695	20,970	1,629	46,070	41	4,757	5,385	3,494	909	155,722
17-Jan-02	4,308	32,387	3,946	27,983	20,221	1,504	44,584	40	4,434	5,047	3,346	865	148,664
18-Jan-02	4,038	30,493	3,775	26,260	19,496	1,414	43,205	38	4,156	4,814	3,222	829	141,740
21-Jan-02	3,788	28,938	3,632	24,307	18,599	1,331	40,599	35	3,959	4,363	3,028	788	133,367
22-Jan-02	3,575	27,710	3,411	22,271	17,979	1,281	39,052	34	3,871	4,153	2,913	744	126,994
23-Jan-02	3,329	26,595	3,233	20,912	17,368	1,201	37,642	33	3,630	3,883	2,808	708	121,342
24-Jan-02	3,126	25,369	3,101	19,749	16,685	1,141	36,262	32	3,433	3,646	2,699	677	115,920
25-Jan-02	2,962	24,375	2,932	18,768	16,131	1,068	34,792	31	3,239	3,444	2,560	651	110,953
28-Jan-02	2,843	23,277	2,754	17,599	15,412	1,016	32,612	29	3,048	3,056	2,407	615	104,668
29-Jan-02	2,714	22,449	2,597	16,659	14,874	984	31,382	28	2,910	2,872	2,307	600	100,376
30-Jan-02	2,600	21,693	2,430	15,804	14,373	947	30,180	27	2,775	2,701	2,214	585	96,329
31-Jan-02	2,499	20,871	2,316	15,100	13,881	886	28,968	26	2,624	2,532	2,143	561	92,407
01-Feb-02	2,402	20,142	2,215	14,290	13,422	832	27,934	24	2,494	2,390	2,069	544	88,758
04-Feb-02	2,303	19,520	2,146	13,455	12,897	812	26,237	23	2,386	2,277	1,923	514	84,493
05-Feb-02	2,199	18,896	2,009	12,533	12,496	791	25,126	21	2,291	2,163	1,845	504	80,874
06-Feb-02	2,117	18,327	1,914	12,030	12,104	761	24,154	21	2,220	2,082	1,784	489	78,003
07-Feb-02	2,048	17,728	1,812	11,369	11,717	715	22,995	20	2,148	1,993	1,719	475	74,739
08-Feb-02	1,973	17,171	1,730	10,867	11,295	677	21,866	19	2,057	1,910	1,648	458	71,671
11-Feb-02	1,884	16,765	1,661	10,078	10,857	657	20,345	18	1,954	1,827	1,558	444	68,048
12-Feb-02	1,832	16,255	1,586	9,600	10,490	641	19,284	18	1,923	1,876	1,588	431	65,524
13-Feb-02	1,743	15,859	1,503	9,166	10,123	603	18,259	17	1,872	1,727	1,456	417	62,745
14-Feb-02	1,683	15,312	1,442	8,807	9,751	563	17,266	17	1,876	1,686	1,391	404	60,198
15-Feb-02	1,636	14,800	1,374	8,419	9,387	535	16,304	16	1,833	1,650	1,324	394	57,672
18-Feb-02	1,567	14,491	1,272	7,878	8,981	526	15,001	15	1,733	1,614	1,225	384	54,687
19-Feb-02	1,515	14,112	1,210	7,507	8,699	513	14,162	15	1,703	1,562	1,142	368	52,508
20-Feb-02	1,465	13,751	1,146	7,170	8,414	503	13,303	15	1,669	1,526	1,088	359	50,409
21-Feb-02	1,406	13,346	1,091	6,791	8,132	491	12,575	15	1,630	1,494	1,028	349	48,348
22-Feb-02	1,361	12,944	1,034	6,434	7,893	485	11,813	15	1,591	1,454	984	340	46,348
25-Feb-02	1,306	12,608	988	6,023	7,624	479	11,773	14	1,573	1,413	938	331	44,070
26-Feb-02	1,220	12,084	926	5,760	7,405	473	10,120	14	1,551	1,354	889	319	42,115
27-Feb-02	1,168	11,650	855	5,508	7,206	469	9,532	14	1,522	1,316	848	310	40,398
28-Feb-02	1,113	11,259	793	5,231	7,017	464	8,865	13	1,472	1,275	798	298	38,598

**NATIONAL COINS IN CIRCULATION**

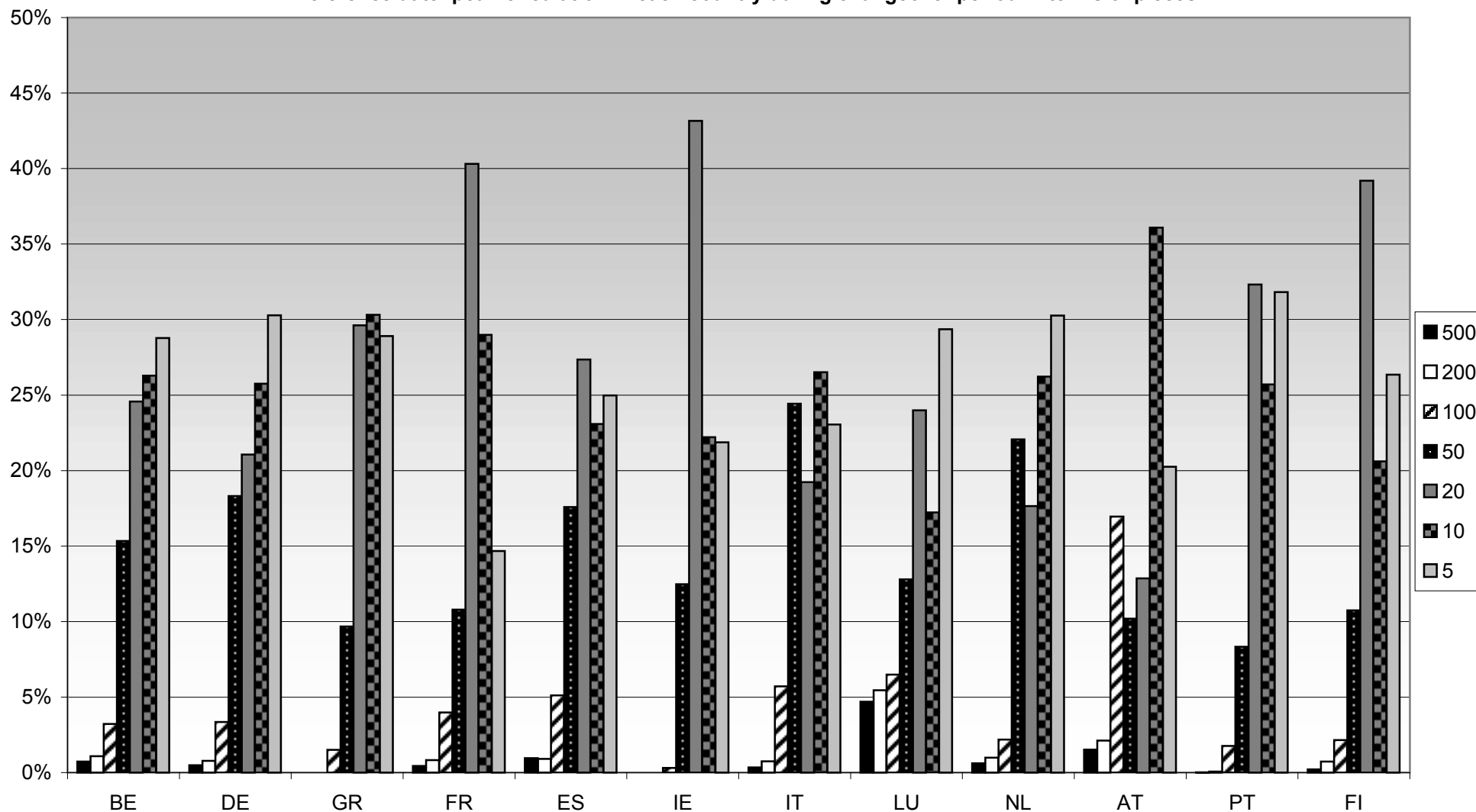
(value in millions of euro)

Date	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI	total
31-Dec-01	447	6,365	198	2,440	2,941	388	1,306	26	1,021	512	338	313	16,295
31-Jan-02	362	4,796	184	2,091	2,504	246	1,291	13	743	434	318	231	13,214
08-Feb-02	340	4,621	149	1,982	2,360	214	1,281	12	677	417	311	220	12,585
15-Feb-02	324	4,515	147	1,843	2,255	199	1,273	11	646	403	306	211	12,133
22-Feb-02	312	4,414	147	1,733	2,152	188	1,264	11	625	390	299	203	11,738
01-Mar-02	300	4,306	145	1,622	2,063	171	1,252	10	617	375	295	140	11,295

**DENOMINATIONAL BREAKDOWN OF EURO BANKNOTES IN CIRCULATION**  
**Reference date: peak-circulation during changeover period in terms of pieces**

	14/01/2002	08/01/2002	11/01/2002	15/02/2002	31/01/2002	15/01/2002	15/02/2002	18/01/2002	18/01/2002	11/01/2002	15/02/2002	11/01/2002	15/01/2002
	BE	DE	GR	FR	ES	IE	IT	LU	NL	AT	PT	FI	EUROSYSTEM
500	0.7%	0.5%	0.0001%	0.4%	1.0%	0.002%	0.3%	4.7%	0.6%	1.5%	0.018%	0.217%	0.5%
200	1.1%	0.8%	0.002%	0.8%	0.9%	0.002%	0.7%	5.5%	1.0%	2.1%	0.1%	0.7%	0.8%
100	3.2%	3.3%	1.5%	4.0%	5.1%	0.3%	5.7%	6.5%	2.2%	17.0%	1.8%	2.2%	3.7%
50	15.3%	18.3%	9.7%	10.8%	17.6%	12.5%	24.4%	12.8%	22.1%	10.2%	8.3%	10.7%	16.0%
20	24.6%	21.1%	29.6%	40.3%	27.4%	43.2%	19.2%	24.0%	17.6%	12.9%	32.3%	39.2%	24.3%
10	26.3%	25.7%	30.3%	29.0%	23.1%	22.2%	26.5%	17.2%	26.2%	36.1%	25.7%	20.6%	26.7%
5	28.8%	30.3%	28.9%	14.7%	25.0%	21.9%	23.0%	29.4%	30.3%	20.3%	31.8%	26.3%	28.0%

**Denominational breakdown of euro banknotes in circulation**  
 Reference date: peak-circulation in each country during changeover period in terms of pieces



### Speed of the cash changeover

(figures in million euro, growth rates compared to previous working day)

2002	Euro notes in circulation	National notes in circulation	Total notes in circulation	Euro Progress Ratio	2001	notes in circulation	level compared to 2002
31-Dec-01	0	270,018	270,018		31-Dec-00	380,297	141%
01-Jan-02	132,972	270,018	402,990	49.2%	01-Jan-01	380,276	94%
02-Jan-02	138,404	257,105	395,509	-1.9%	02-Jan-01	374,282	95%
03-Jan-02	148,378	245,930	394,308	-0.3%	03-Jan-01	375,306	95%
04-Jan-02	160,348	234,279	394,627	0.1%	04-Jan-01	374,282	95%
07-Jan-02	169,083	220,243	389,325	-1.3%	07-Jan-01	372,834	96%
08-Jan-02	175,743	210,105	385,848	-0.9%	08-Jan-01	370,769	96%
09-Jan-02	181,739	200,291	382,030	-1.0%	09-Jan-01	368,674	97%
10-Jan-02	188,819	190,640	379,459	-0.7%	10-Jan-01	366,973	97%
11-Jan-02	193,104	181,948	375,052	-1.2%	11-Jan-01	366,633	98%
14-Jan-02	196,521	171,017	367,538	-2.0%	14-Jan-01	365,730	100%
15-Jan-02	199,348	163,145	362,495	-1.4%	15-Jan-01	363,925	100%
16-Jan-02	201,756	155,722	357,478	-1.4%	16-Jan-01	362,314	101%
17-Jan-02	204,909	148,664	353,575	-1.1%	17-Jan-01	360,573	102%
18-Jan-02	207,478	141,741	349,217	-1.2%	18-Jan-01	359,929	103%
21-Jan-02	209,009	133,369	342,380	-2.0%	21-Jan-01	359,929	105%
22-Jan-02	209,992	126,993	336,985	-1.6%	22-Jan-01	358,060	106%
23-Jan-02	210,848	121,341	332,189	-1.4%	23-Jan-01	356,417	107%
24-Jan-02	213,351	115,918	329,269	-0.9%	24-Jan-01	355,127	108%
25-Jan-02	214,795	110,948	325,743	-1.1%	25-Jan-01	355,581	109%
28-Jan-02	215,968	104,668	320,636	-1.6%	28-Jan-01	355,553	111%
29-Jan-02	217,312	100,376	317,688	-0.9%	29-Jan-01	354,839	112%
30-Jan-02	218,888	96,328	315,215	-0.8%	30-Jan-01	354,395	112%
31-Jan-02	221,662	92,410	314,070	-0.4%	31-Jan-01	354,261	113%
01-Feb-02	224,166	88,757	312,922	-0.4%	01-Feb-01	355,951	114%
04-Feb-02	225,936	84,489	310,427	-0.8%	04-Feb-01	357,130	115%
05-Feb-02	228,093	80,873	308,966	-0.5%	05-Feb-01	356,855	115%
06-Feb-02	229,571	78,003	307,574	-0.5%	06-Feb-01	356,265	116%
07-Feb-02	232,048	74,738	306,786	-0.3%	07-Feb-01	355,570	116%
08-Feb-02	233,761	71,673	305,434	-0.4%	08-Feb-01	356,496	117%
11-Feb-02	234,511	68,050	302,561	-0.9%	11-Feb-01	356,364	118%
12-Feb-02	235,015	65,401	300,416	-0.7%	12-Feb-01	355,153	118%
13-Feb-02	235,671	62,742	298,413	-0.7%	13-Feb-01	354,117	119%
14-Feb-02	237,604	60,198	297,802	-0.2%	14-Feb-01	353,334	119%
15-Feb-02	238,693	57,668	296,361	-0.5%	15-Feb-01	354,053	119%
18-Feb-02	238,880	54,687	293,567	-0.9%	18-Feb-01	353,878	121%
19-Feb-02	239,092	52,509	291,601	-0.7%	19-Feb-01	352,754	121%
20-Feb-02	239,335	50,406	289,741	-0.6%	20-Feb-01	351,571	121%
21-Feb-02	240,690	48,348	289,038	-0.2%	21-Feb-01	350,730	121%
22-Feb-02	241,383	46,344	287,727	-0.5%	22-Feb-01	351,549	122%
25-Feb-02	241,790	44,070	285,860	-0.6%	25-Feb-01	352,004	123%
26-Feb-02	242,482	42,114	284,596	-0.4%	26-Feb-01	351,704	124%
27-Feb-02	243,634	40,396	284,030	-0.2%	27-Feb-01	351,413	124%
28-Feb-02	246,513	38,618	285,131	0.4%	28-Feb-01	351,691	123%