EURO AS THE COMMON CURRENCY OF ELEVEN COUNTRIES IN THE EUROPEAN MONETARY UNION (EMU)

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For the guidance of all concerned, we have summarized below the key features of the Euro, which shall be the common currency of the eleven countries in the European Monetary Union starting January 1, 1999.

I.
Key Features of the Euro

- Starting January 1, 1999, Euro shall be a currency in its own right and the European Central Bank shall be fully operational. The Euro shall replace currencies of the eleven founder member countries (the legacy currencies) of the European Monetary Union (EMU):

COUNTRY CURRENCY

1. Austria Austrian Schilling

2. Belgium Belgian Franc

3. Finland Finnish Markka

4. France French Franc

5. Germany

Deutsche Mark

6. Ireland Irish Punt

7. Italy Italian Lira

8. Luxembourg Luxembourg Franc

9. Netherlands Netherlands Guilders

10. Portugal Portuguese Escudo

11. Spain Spanish Peseta

The Euro will be subdivided into 100 cents and will be settled to two decimal places.

- The conversion rates of the legacy currencies to the Euro and with each other shall be fixed to six significant digits on December 31, 1998. These rates shall remain unchanged and shall be used for purposes of converting each currency to the Euro from January 1, 1999 up to June 30, 2002. The conversion rate of each currency and that of the Euro to US dollars shall however, change on a day to day basis. The exchange rates will be quoted as EUR1=xxxxxx units of currency.

For the information and guidance of all concerned, the Bangko Sentral shall publish these conversion rates in its Daily Foreign Exchange Bulletin. The new format of the Bulletin is shown in Annex 1.

- Euro notes and coins will come into circulation only on January 1, 2002. The legacy currencies shall continue to be legal tender until replaced by Euro notes and coins. Between January 1, 2002 and June 30, 2002, legacy currencies will be replaced by Euro notes and coins. During this six-month period, the legacy currencies and the Euro will coexist, although the Governments of the participating countries may choose to cut short the period of dual existence. For instance, Germany has announced that the dual circulation period for the Deutsche mark will be two months shorter, i.e., April 30, 2002.

The Bangko Sentral shall issue guidelines on withdrawal of the legacy currencies from the system specifying the deadlines for surrender of the legacy currencies.

- Existing legacy currency accounts may be maintained alongside Euro accounts for the period January 1, 1999 to December 31, 2001. The conversion of existing accounts to Euro is not compulsory until December 31, 2001, when all accounts in the eleven currencies shall be closed and converted to Euro.

The conversion procedure will involve closing of the legacy currency account and the opening of the new Euro account calculated at the fixed conversion rate set on December 31, 1998. The rates, expressed in six significant figures, shall not be truncated or rounded during conversion. If the conversion yields a number that is not an exact number of the smallest currency unit, the result must be rounded up or down to the nearest currency unit. If the result is exactly halfway, the result will be rounded up.

Those with accounts in legacy currencies should get in touch with their banks for the conversion of their accounts.

- Euro accounts can be maintained in any bank in any country in the European Union. Eligible existing legacy currency accounts may be converted into Euro accounts with no disruption to existing services and at no cost. During the transition period, accounts in the legacy currencies will show balances both in Euro and the legacy currency whether a separate Euro account has been opened or not.

- It should be noted that the Euro is a currency in its own right, while the ECU is a basket of currencies which include eight legacy currencies (Belgian Franc, French Franc, Deutsche Mark, Irish Punt, Italian Lira, Luxembourg Franc, Portuguese Escudo and Spanish Peseta) and three non-legacy currencies (Danish Markka, British Pound and Greek Drachma). The legacy currencies of Austria and Finland are not included in the ECU basket.

- The public and private sectors, including individuals, with transactions and accounts in these currencies are

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expected to make the necessary modifications to their accounting systems to reflect these developments.

II.
Reporting Requirements for Euro-denominated
transactions

- The Daily Foreign Exchange Bulletin published by the Bangko Sentral shall incorporate the fixed conversion rates of the legacy currencies to the Euro and the corresponding daily foreign exchange rate to US dollars and pesos starting January 4, 1998. These rates shall be used to convert accounts denominated in the legacy currencies to the Euro and the corresponding US dollar and peso equivalents.

- Reporting systems of the Bangko Sentral have been revised/shall be revised to accommodate the Euro as a new currency. The Euro shall be introduced in the currency library of the Bangko Sentral's information and reporting system as a new currency effective January 1, 1999 and the legacy currencies shall be deleted from the said library on July 1, 2002. The reporting guidelines covering the Euro shall be covered by a separate Circular Letter.

- Banks and non-bank financial institutions, government agencies and corporations and private entities with existing foreign loans denominated in the legacy currencies shall notify the Bangko Sentral of loans converted. Transactions and balances on foreign liabilities shall continue to be reported in original currency on a per account and per transaction basis. The country of creditor shall continue to be reported notwithstanding the consolidation of accounts in different currencies to the Euro.

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