

National Euro Changeover Plan for the SR

Part I: general framework

Table of Contents

A.	Introduction	1
A.1)	Overview of steps made	1
B.	Euro changeover in the SR.....	3
B.1)	Basic principles	3
B.2)	Time table of euro changeover	4
B.3)	The Changeover Plan assumptions	5
B.4)	Updating the Changeover Plan.....	6
C.	Institutional provision for the euro changeover in the SR	7
C.1)	National Coordination Committee	7
C.2)	Working committees	8
C.3)	Working groups in every organization.....	9
D.	Summary of tasks in individual sectors.....	10
D.1)	Banks and financial sector.....	10
D.2)	General government and local authorities.....	11
D.3)	Consumer protection	11
D.4)	The business sector.....	12
D.5)	Legislative requirements of the euro changeover	12
D.6)	Information sources and communication	12
D.7)	Information and statistical systems	13
D.8)	Recommendations of the National Coordinator.....	13
D.9)	Inflation risks of monetary conversion.....	13

A. Introduction

The Changeover Plan is prepared on the basis of Government Resolution No 862/2004.

In connection with Slovak preparations for eurozone entry the Government of the SR decided, in Resolution No 862 of 8 September 2004, on the need to draw up a National Euro Changeover Plan. This document represents a plan of individual steps which need to be implemented for a trouble-free and successful introduction and use of the euro throughout the whole of Slovak economy.

The National Euro Changeover Plan is a framework document which all subjects and companies in the Slovak economy can rely on. Basic principles, time schedule and institutional provision for introducing the euro in Slovakia are defined in the introduction. The core of the Plan is identification tasks in individual sectors, including responsibilities, durations, control dates and completion dates.

The National Coordinator for Introduction of the Euro in the SR is the Ministry of Finance SR.

The National Coordinator for Euro Changeover in Slovakia is the Ministry of Finance of the SR, which together with the National Bank of Slovakia submits the National Euro Changeover Plan for Slovakia to the Government for discussion. The document was prepared in close cooperation with the Ministry of Economy and the Ministry of Justice. Based on the Resolution of the Government of the SR No 34 of 12 January 2005 in the preparation of the Changeover Plan have been involved also the Ministry of Labor, Social Affairs and the Family, the Ministry of Interior, the Office of the Government, the Association of Banks, the Association of Towns and Municipalities of Slovakia, the Antimonopoly Office of the SR, the Statistical Office of the SR, the Financial Market Authority, the Slovak Chamber of Commerce and Industry, Slovak Radio, Slovak Television, the Slovak Commercial Inspection, the Social Insurance Company and other invited organizations.

The euro changeover is an extraordinarily demanding process from both the technical and organizational aspect. To proceed smoothly and without complication, it is important to inform and prepare all citizens, institutions and companies in Slovakia for the changeover.

A.1) Overview of steps made

Strategy for Adopting the euro in the SR.

The preparations for the euro changeover in Slovakia have begun even before the country's accession to the European Union. On 16 July 2003 the Government of the SR approved the Strategy for Adopting the Euro in the Slovak Republic, which was prepared up jointly by the NBS and the Ministry of Finance of the SR. The Government and the NBS, in their joint declaration, stated that the benefits of introducing the euro in Slovakia clearly outweigh the disadvantages, and therefore Slovakia should enter the eurozone as soon as possible – immediately after it will be able to meet in a sustainable manner the Maastricht Criteria, which are the conditions for eurozone entry.

Specification of the Strategy for Adopting the Euro in the SR.

In the Resolution No 862 of 8 September 2004 the Government approved a further common document of the NBS and the Ministry of Finance of the SR, the Specification of the Strategy for Adopting the Euro in the SR and adopted a decision to draw up a National Euro Changeover Plan for the SR. The fulfillment of the Maastricht Criteria is expected in 2007, therefore the earliest possible date for the eurozone entry will be 1 January 2009, which was also set as the target date in accordance with the Strategy for Adopting the Euro.

The Government appointed the Ministry of Finance of the SR as the National Coordinator for the process of introducing the euro in the SR. At the same time it entrusted the Minister of Finance of the SR and the Governor of the NBS with the

negotiations with the bodies of the European Union regarding the entry into ERM II and on the setting of the central parity of the Slovak koruna against the euro.

*The NBS has
acceded to the
Agreement on the
Operating
Procedures of
ERM II.*

Prior to the euro changeover the SR will be obliged to stay for at least two years in the exchange rate mechanism (ERM II). An institutional condition for entering ERM II was the accession of the NBS to the Agreement of 29 April 2004 between the European Central Bank and national banks of Member States not belonging as at 1 May 2004 to the eurozone, amending the Agreement of 1 September 1998 on operating procedures for the exchange rate mechanism in the third stage of Economic and Monetary Union.

*A public tender
for the Slovak
euro coins.*

The NBS has launched an anonymous public tender for the artistic designs of the national face of Slovak euro coins with a closure date of the first round on 31 January 2005. The definitive tender results will be declared on 20 December 2005.

B. Euro changeover in the SR

B.1) Basic principles

Big-Bang euro introduction on 1.1.2009.

The euro will be introduced in Slovakia on 1 January 2009¹ with a Big-Bang scenario; simultaneously in cash and scriptural form without a transitional period. On this date the euro will become the legal tender in the Slovak Republic. Slovak euro coins will be valid in all eurozone countries and also other eurozone countries' euro coins will be the legal tender in Slovakia. Banknotes are the same throughout the eurozone. From 1 January 2009 scriptural transactions will be exclusively in euro.

Short dual circulation period until 16.1.2009.

The euro will be used in cash circulation from 1 January 2009. The koruna will become only a denomination of the euro. For a short dual circulation period, until 16 January 2009, it will be possible to pay also with koruna banknotes and coins in the Slovak territory. The Slovak currency will be gradually withdrawn from circulation. By the end of the dual circulation the euro will be the sole legal tender in the Slovak Republic.

Conversion rate will be set by the Council of the EU. No other exchange rate can be used.

Conversion of koruna values to the euro unit on 1 January 2009 must be performed with the conversion rate, which will be irrevocably set by the Council of the EU. It will not be possible to use any other rate. The conversion rate will be set as a coefficient with six significant digits. It will express the equivalent of one euro in koruna (i.e. EUR 1 = SKK XX.XXXX). The conversion rate must not be rounded or shortened to less than 6 significant digits in making conversions. It is not permitted to use an inverse coefficient.

Principle of continuity of contracts.

The euro introduction can not influence the continuity of contracts and other legal instruments. All contracts containing references to Slovak koruna will remain valid after the euro changeover. Values in koruna will be regarded as values in euro, recalculated at the conversion rate. It will not be possible to terminate any contract due to the euro changeover.² At the same time, however, the principle of the freedom of contract will be preserved; contracting parties may, by bilateral agreement, change their agreement following the euro changeover in any way. The euro changeover will not influence the nominal interest rate payable by the debtor in the case of instruments with a fixed interest rate .

Rounding rules.

Following the euro introduction on 1 January 2009 it will be necessary to regard references in legal instruments to the koruna as references to the euro, recalculated at the conversion rate. Financial amounts set in koruna which should be paid or entered into accounting in euro will be rounded to the nearest euro cent. Only the final value will be rounded, not partial items. No fees may be charged related to the conversion of koruna values to the euro. In specific cases set by a law the rounding will be even more precise than to the nearest euro cent.

Principle of not harming the citizen.

The euro introduction must not harm the citizens or consumers. Fees and taxes, if not precisely recalculated according to rounding rules, should be rounded down, payments to citizens should be rounded up. Values rounded in favor of the citizens will be adjusted to whole 10 euro cents.

¹ Provided that the Maastricht Criteria are fulfilled; for more detail see part B.3).

² Euro introduction can not result into an amendment to any condition of the legal instrument or releasing of a debt or performance subject to any legal instrument, nor will it provide a contracting party with the right to unilaterally change or terminate such an instrument.

Avoiding price increases and perceived inflation, monitoring and control.

During the changeover all necessary steps will be taken so that the process is not abused for increasing prices. The price developments will be monitored and rules for the recalculation and publication of prices will be enforced. Price stability must be maintained also in supplier-customer relations. While it is necessary to prevent inflationary effects of the euro changeover, it is also essential to prevent any unreasonable public inflationary perceptions.

Minimizing costs.

Each subject will be responsible for covering its individual costs arising from the euro changeover. This applies for both the private and the public sector. Euro changeover implementation costs should be as low as possible.

Retaining material and financial responsibility.

General government bodies and local authorities or other bodies of the public power will be responsible for preparing the respective normative legal acts according to their competence. Each subject, including the private sector, will be responsible for its organizational preparation for a the euro changeover, including the adaptation of information systems for which it is responsible or which it administers. Costs related to the euro changeover will not be compensated for from public funds.

B.2) Time table of euro changeover

Stage I – after the entry into the ERM II	
Till June 2006	Completing accession procedures to the ERM II with the bodies of the European Union
Stage II – membership in the ERM II up until the decision on the SR's acceptance into the eurozone	
Till June 2006	Entry into the ERM II
May 2008	Convergence reports by the European Commission and the ECB
May – June 2008	Evaluation procedure at European institutions
June 2008	Decision of the Council of the EU on abrogation of derogation
June 2008	Setting the SKK/EUR conversion rate by the Council of the EU
Stage III – between the decision on SR's acceptance into the eurozone and the entry itself	
July – December 2008	Provision of the necessary quantity of euro banknotes and minting of coins for cash circulation in the SR
September – December 2008	Frontloading of the NBS and commercial banks with the euro cash
December 2008	Frontloading of the retail sector with the euro cash
July 2008 – December 2009	Mandatory dual pricing
Till the end of December 2008	Conversion of ATMs, vending machines and other appliances working with coins and banknotes
Stage IV – following entry into the eurozone	
1 January 2009	Entry into the eurozone
Till 16 January 2009	Dual circulation: exchange of koruna cash for euro and withdrawal of the Slovak koruna from circulation
From 17 January 2009	Continued exchange of the old koruna cash for euro banknotes and coins at banks and the NBS
Till June 2010	Recommended dual pricing

Box 1: The Maastricht Criteria

Before entering the eurozone Slovakia must, as any other state outside the euro area, fulfill the four convergence criteria – the Maastricht Criteria.

1. Public finance: the general government deficit for the last year before assessment, based on ESA 95 methodology, may not exceed 3 % of the GDP. Moreover, total public debt may not exceed 60 % of GDP.
2. Inflation: average inflation for the last 12 months, measured by the Harmonized Index of Consumer Prices (HICP), may not exceed the average of the three EU countries with the best performance in terms of price stability by more than 1.5 percentage points.
3. Long-term interest rate stability: average of market interest rates on long-term government or similar bonds may not exceed the average of the three EU countries with the best performance in terms of price stability by more than two percentage points.
4. Exchange rate stability: the Slovak koruna must participate in the exchange rate mechanism (ERM II) for two years prior to assessment. During this period the Slovak koruna may not be unilaterally devalued; the koruna may not deviate from the agreed fluctuation band; the koruna must remain close to central parity and no severe tensions may arise in the development of the exchange rate.

B.3) The Changeover Plan assumptions

Fulfillment of the Maastricht Criteria is expected in 2007. The National Euro Changeover Plan does not control the fulfillment of the Maastricht Criteria.. Likewise, the Changeover Plan does not monitor economic policies ensuring the fulfillment of the Maastricht Criteria.

It is also expected that the Council of the EU, the European Parliament, the European Commission and the European Central Bank (ECB) will act sufficiently quickly in 2008 in the procedure of Slovak entry into the eurozone, so that the final decision will be known in June 2008.

It is also assumed that Slovakia will be enabled to perform all preparatory steps for minting coins prior to the abrogation of the derogation, including the production of a small quantity of coins for testing and for the adjustment of equipment. Mass production will begin after the abrogation of the derogation.

It is also expected that the ECB will allow the frontloading of banks and businesses with euro banknotes and coins prior to 1 January 2009. The conditions for frontloading are not known yet, however, it is expected that the ECB will announce them by in 2006.

Should some of these conditions not be fulfilled, it will not be possible to proceed according to this Plan and it will be necessary to adjust it.

*Fulfilling
the Maastricht
Criteria.*

*Decision of the
Council of the
EU by June
2008.*

*Possibility to
make
preparations for
minting coins.*

*Possibility to
perform
frontloading.*

Box 2: Procedure of the European institutions in adopting a new eurozone member (according to Articles 121 – 123 of the Treaty establishing the European Community)

1. The ECB and the European Commission will prepare convergence reports which will assess the fulfillment of the Maastricht Criteria. The convergence reports will be prepared at the request of the country, or every two years
2. The Commission will propose to the Council to abrogate the member state's derogation and therefore to accept it as a eurozone member.
3. The Council will consult the Commission proposal with the European Parliament.
4. The Council, in the composition of heads of state or governments, will discuss the Commission proposal.
5. The Council (probably in the ministers of finance composition) will decide by a qualified majority on the abrogation of the derogation (following approval of the Treaty establishing a Constitution the Council will be able to decide only after a recommendation of a qualified majority of eurozone members – these countries will have six months to decide).
6. The Council, at the proposal of the Commission and after consultation with the ECB, will decide on the conversion rate (of the koruna to the euro). The Council will decide unanimously, composed of eurozone members and the acceding state.
7. The Council will change any Regulations concerning the euro (1103/97 on certain provisions relating to the introduction of the euro and 974/98 on the introduction of the euro).

In the case of Greece (1) the ECB prepared the convergence report on 18 April 2000, the Commission prepared the convergence report on 3 May and (2) at the same time recommended to the Council that the derogation be abrogated , (3) the European Parliament voted on 18 May, (4) on 30 May the Commission submitted proposals regarding the conversion rate of the Greek drachma, (5, 6) on 19 June the Council decided to abrogate the derogation and set the conversion rate, (7) on 27 November the Council amended the remaining regulations on the euro. Greece adopted the euro on 1 January 2001.

B.4) Updating the Changeover Plan

Not all tasks related to the euro changeover can be identified or described in detail several years in advance. For this reason the Changeover Plan will be updated regularly and submitted for discussion to the Government of the Slovak Republic at these dates:

- 30 June 2006,
- 30 June 2007,
- 31 December 2007,
- 30 June 2008.

Special updates may also be made to the Changeover Plan, if any of the assumptions in Part B.3) change significantly, or if a change is made in the eurozone entry strategy. In such a case a new version of the Changeover Plan will be prepared based on a decision of the National Coordination Committee within three months of the change in conditions. It will also be possible to update the Changeover Plan at the discretion of the National Coordinator or the National Coordination Committee.

A separate part of the updated version of the Changeover Plan will list the tasks already fulfilled; newly-identified tasks will be included and the whole Plan will be refined in more detail according to the latest information.

The Changeover Plan will be updated in 2006, twice in 2007 and once in 2008.

C. Institutional provision for the euro changeover in the SR

C.1) National Coordination Committee

The National Coordination Committee is the supreme body preparing the euro changeover in the SR.

The National Coordination Committee for the Euro Changeover in the Slovak Republic will be the supreme managing and coordination body preparing the euro changeover in Slovakia. The National Coordination Committee (NCC or Committee) will be composed as follows:

- NCC chairman - Deputy Prime Minister and the Minister of Finance, also as the National Coordinator for Euro Changeover in the SR,
- NCC deputy chairman - NBS Governor,
- Deputy Prime Minister for European Integration, Human Rights and Minorities,
- Deputy Prime Minister and Minister of the Economy,
- Deputy Prime Minister and Minister of Justice,
- Minister of Labor, Social Affairs and the Family,
- Minister of Interior,
- President of the Association of Banks,
- Chairman of the Slovak Chamber of Commerce and Industry (SOPK|,
- President of the National Union of Employers (RÚZ|,
- President of the Federation of employers' associations of the SR
- Chairman of the Statistical Office of the SR,
- Chairman of the Association of Towns and Municipalities of Slovakia (SOPK),
- President of the Union of Towns in Slovakia,
- Representative of Chairmen of self-governing regions,
- Representative of consumer protection associations and organizations (Slovak Commercial Inspection, other institutions as proposed by the Ministry of the Economy).

The NCC will inform the Government and the National Council of the SR on the progress of preparations.

The NCC will coordinate and oversee the implementation of the National Euro Changeover Plan. Starting in 2007 it will inform the Government of the SR semi-annually on the progress, as a part of the updates of the Changeover Plan. The NCC will provide information to the National Council of the SR as necessary. The NCC at its own initiative may also submit special reports.

The NCC is authorized to give recommendations to the central government bodies that need to be implemented for the euro changeover in the SR. Similarly, it may give recommendations to other institutions represented in the NCC, should their representatives in the Committee agreed to this. The NCC can recommend the fulfillment of tasks to other organizations.

Executive secretary of the NCC.

The NCC will nominate an executive secretary, who will be professionally engaged in the coordination of preparatory works for the euro changeover in the SR. Her main tasks will be to conduct regular meetings of the working committees' heads, actively communicate with domestic and international institutions, coordinate and stimulate the changeover preparations, prepare progress reports for the NCC, warn against potential problems and raise a broad awareness of the euro changeover. She can also give recommendations to improve operations, however, the final responsibility and authority will remain with the authorized institutions.

C.2) Working committees

Six working committees will prepare solutions of technical issues.

The working committees will prepare expert stances to individual issues concerning the transition of the Slovak economy to the euro. Their composition will be similar to that of working groups, which proved efficient in preparing this Changeover Plan. The National Coordinator in cooperation with the respective ministers, or the governor of the NBS, will establish the following working committees for the euro changeover:

- Working Committee for Banks and the Financial Sector,
- Working Committee for General government,
- Working Committee for the Non-Financial Sector and Consumer Protection,
- Working Committee for Legislation,
- Working Committee for Communication,
- Working Committee for Information Technology and Statistics.

The heads and members of the working committees will be appointed by the respective member of the NCC (a minister or the governor of the NBS) based on nominations of the individual institutions.

The working committees will be responsible in particular for:

- solving open issues in their professional field and submitting proposals to the NCC or National Coordinator,
- submitting quarterly partial reports on the implementation of the Changeover Plan to the NCC,
- specifying the solution of individual tasks set in the Changeover Plan and providing methodological guidance to individual government bodies and other institutions in the process of fulfilling them,
- coordinating the fulfillment of tasks which are mutually interdependent, or notifying the NCC so that mutually interrelated tasks falling within the competence of several working committees can be coordinated by the NCC itself.

Composition of working committees.

Central government bodies will cooperate with the working committees as necessary. Individual working committees will be composed as follows:

- Banks and the financial sector headed by the NBS, members: Financial Market Authority, Association of Banks, Ministry of Finance of the SR, representatives of commercial banks (nominated by the Association of Banks).
- General government headed by the Ministry of Finance of the SR, members: Ministry of Labor, Social Affairs and the Family of the SR, Ministry of Interior of the SR, Association of Towns and Municipalities of Slovakia, Union of Towns of Slovakia, representatives of self-governing regions, the Social Insurance Agency, the State Treasury.
- The non-financial sector and consumer protection headed by the Ministry of Economy of the SR, members: Ministry of Finance of the SR, Ministry of Justice of the SR, NBS, Slovak Chamber of Commerce and Industry, Antimonopoly Office, Slovak Commercial Inspection, consumer protection associations and organizations, National Union of Employers.
- Legislation headed by the Ministry of Justice of the SR, members: Office of the Government of the SR, Ministry of Finance of the SR, Ministry of Economy of the SR, Ministry of Labor, Social Affairs and the Family of the SR, NBS, Association of Banks, Slovak Chamber of Commerce and Industry.

- Communication headed by the NBS, members: Ministry of Finance of the SR, Ministry of Economy of the SR, Ministry of Justice of the SR, Ministry of Labor, Social Affairs and the Family of the SR, Ministry of Education of the SR, Office of the Government of the SR, Association of Banks, Association of Towns and Municipalities of Slovakia, Slovak Radio, Slovak Television.
- Information technology and statistics headed by the Ministry of Finance of the SR, members: Ministry of Transport, Posts and Telecommunications of the SR, NBS, Statistical Office of the SR, Association of Banks, Slovak Chamber of Commerce and Industry.

The heads of the working committees or the NCC may expand the membership in individual committees as required. Where necessary, the head of a Working Committee may invite also experts from other organizations to the committee meetings. When necessary, working committees will establish sub-committees focusing on a narrower group of issues.

C.3) Working groups in every organization

All organizations and institutions should create working groups for ensuring their changeover to euro.

The National Coordinator recommends that self-governing regions, towns, municipalities, all businesses and organizations establish working groups for euro changeover. Their task will be to prepare their organization for the safe and smooth transition to the euro for the organization's internal needs. The most important fields include the adaptation of information systems, relations with employees, customers, citizens, suppliers, their bank, relations with the state (taxes and compliance with changes in legal rules) and communication activities.

The National Coordinator recommends that in particular large businesses, organizations, self-governing regions and towns establish working committees for the euro by the end of 2005. They should subsequently prepare their own (business) plans, based on this Changeover Plan, and begin to implement them by the end of 2006. Smaller businesses and municipalities should establish their working committees at the latest after Slovakia entry into the ERM II.

Ministries and the NBS will appoint contact persons for coordinating the euro changeover.

Each ministry and the NBS will appoint coordinating persons who will both internally and externally coordinate organizational and –technical euro changeover issues and cooperate with the National Coordinator.

D. Summary of tasks in individual sectors

This chapter briefly describes the tasks of individual sectors of the economy and selected cross-sectional fields (communications, legislation and information systems). The tasks are described in detail in Part II of the Changeover Plan.

D.1) Banks and financial sector

The task of the financial sector, including the NBS, will be to ensure the introduction of the euro into cash and non-cash circulation. In contrast to the first twelve eurozone members, both these changes will be performed simultaneously. Some tasks will be simplified and several duplicities will be removed, nevertheless coordination and timely and thorough implementation of tasks will be more critical.

Provision of euro banknotes and coins.

The provision of euro banknotes and coins and their exchange for the koruna cash in circulation will be of the highest importance. Euro banknotes and coins will be provided by the NBS so that at the end of 2008 frontloading of banks may begin, and subsequently also sub-frontloading of the retail sector and businesses, and from 1 January 2009 the exchange of cash for the public will start.

Distribution of euro to the public.

Citizens will have several channels to obtain euro banknotes and coins. Up to set limits they will be able to exchange koruna free of charge for euro cash at banks, or make cash withdrawals from their accounts. As of the €day (1 January 2009) ATMs will distribute euro only. During dual circulation (until 16 January 2009) citizens will be able to pay at shops also in koruna, but shops will give change only in euro, whereby citizens will also obtain some euro cash.

Withdrawing Slovak koruna.

Similar channels will be used for withdrawing Slovak koruna from circulation. After the end of the dual circulation period it will be possible to exchange koruna banknotes free of charge for euro at banks up until the end of 2009 and coins until June 2009. The NBS will exchange banknotes without time limits and coins for five years following the euro introduction, the exchange in NBS will be free of charge. Other tasks related to the introduction of cash euro include the security of increased volumes of cash in transport and storage and the education of cash handlers.

Payment systems.

The euro will be introduced in non-cash circulation immediately on 1 January 2009. The domestic system of payments will be adjusted to using the euro. Prior to €day Slovakia will connect to the European payment system TARGET 2. The NBS will implement these changes in cooperation with banks and other institutions connected to the payment systems (e.g. the State Treasury). Smooth execution of all non-cash payments will require also changes to payment cards and electronic banking.

Conversion of bank accounts and credits.

All accounts of bank clients, as well as credit products, letters of credit, collaterals and checks will be recalculated to euro. Recalculations will be made precisely according to the conversion rate and rounding rules, the clients will be informed of this in advance. Interest rates and other conditions will be preserved in accordance with the principle of the continuity in contracts. For this reason also continuity, or the replacement of market indices (replacement of reference rates BRIBOR and SKONIA by EURIBOR and EONIA, replacement of the NBS base rate by the ECB main rate) will be provided for by law.

Revaluation of securities, pension units and shares in collective investment.

In the case of securities it will be necessary to recalculate to euro both their nominal as well as market values. Rounding rules more precise than to the closest euro cent will be specified for low-value securities. For example, values of pension units are at present determined with a precision to 4 decimal places, after the euro changeover this precision will be increased further, since one euro has a considerably higher value than one koruna. Market rates, indices, or performance indicators of

investment funds will be recalculated to euro in order to retain continuity of reporting. Market values of securities will be very quickly determined directly by the market.

Transfer of competences from the NBS to the ECB.

The switch to the euro will require transfer of some competences from the National Bank of Slovakia to the European Central Bank. It will be competences mainly in the field of monetary policy, but also some powers in issuing legal tender. The NBS will also have to comply with rules set by the ECB.

D.2) General government and local authorities

Conversion of information systems.

Bodies of central government and local authorities must prepare for the euro changeover similarly to all other institutions. The longest and most demanding process will be the adjustments of financial information systems.

Accounting, reporting, taxes and wages.

Besides ensuring capability to perform their own operations, public institutions will also create rules for the private sector. Rules in accounting and reporting will change, calculations of tax obligations and wage tables will be adjusted to euro. Social and health insurance benefits and contributions will also be recalculated.

Legislative changes.

The introduction of the euro as the legal tender will have an impact on a wide realm of the society life. Respective bodies of general government and local authorities must amend a large number of legal regulations. By 15 November 2005 they should identify all regulations which need to be amended prior to the euro changeover. The time table of legal changes will be prepared by the Ministry of Justice in cooperation with the Ministry of Finance, the Ministry of the Economy and the NBS so that all necessary changes are made on the date of the euro introduction.

D.3) Consumer protection

White paper on consumer protection.

Following recalculation to euro the prices in numerical terms will be entirely different from the prices in koruna. For some consumers it will be difficult to assess how good or bad the prices of specific goods and services are. The role of the consumer protection is to prevent an abuse of the temporarily lower consumers orientation in the prices. A white paper on consumer protection will be prepared by the Ministry of the Economy, detailing procedures in this field.

Dual pricing.

The main instrument for increased consumer protection will be dual pricing. Prices of all goods and services will be recalculated precisely according to the conversion rate and dually marked in an appropriate manner in both koruna and euro. Dual pricing will begin at latest one month after the conversion rate is set by the Council of the EU, i.e. approximately 5-6 months before the euro changeover. This way the consumers can get accustomed to the levels of euro prices. Sellers will have to continue with dual pricing to the end of 2009 and voluntarily for another six months.

Dual account statements, payroll slips, invoices ...

In the case of other financial information which the citizens receive, the procedure will be similar to the dual pricing of goods and services. Values in bank account statements, payroll slips, pension and social benefits, accounts and invoices will all be given in both currencies.

Monitoring of prices, control and resolution of disputes.

The evolution of prices in 2008 and 2009 will be closely monitored. Consumers will be regularly informed of survey and control results. Supervisory bodies will act in the cases of breaching the rules. Consumers will also be able to apply to the courts, resolve disputes out of court or make suggestions or complaints to supervisory bodies.

D.4) The business sector

The business sector will have to make all necessary steps so that individual companies and businesses will be able perform their activity also after the euro changeover. The tasks, mainly for the retail sector and providers of services, result also from consumer protection rules.

Dual pricing and dual circulation.

During the period of dual pricing all sellers must be prepared to mark prices in both koruna and euro. In the period of dual circulation they must be prepared to accept payments in both koruna and euro, but give change only in euro.

Accounting, reporting, information systems.

All businesses must adapt to the new rules of accounting and reporting in euro. However, the needs of the businesses extend beyond the of statutory obligations. It will be necessary to adapt all financial information systems, provide training and information to staff and customers.

Recalculation of registered capital and equity shares.

The registered capital of businesses, business shares and equity will be recalculated to euro. In the process the sum of the values of the individual shares must, following recalculation and rounding, stay equal the recalculated registered capital.

D.5) Legislative requirements of the euro changeover

The euro will be introduced in Slovakia by a decision of the EU Council. Thereby the Council Regulations on the introduction of the euro, on certain provisions concerning the introduction of the euro and on conversion rates will become effective in the Slovak Republic. Therefore, it will not be necessary to explicitly transpose these regulations into the Slovak legal system. Nevertheless, it will be necessary to harmonize existing regulations with these and other legal acts of the European Community. Slovak laws must also regulate the fields not addressed by the Community laws.

The umbrella law.

The legislative needs of a general nature will be solved by an umbrella law (a law on certain measures relating to the introduction of the euro). This law will regulate in particular the introduction of the euro in Slovakia, the recalculation from koruna to euro, rules on dual pricing, checks and supervision. The law will be prepared by the Ministry of Finance, the Ministry of Justice, the Ministry of Economy and the NBS.

Second group of laws.

A narrower group of laws will have to be amended prior to the euro introduction date. These are laws which will be deeply affected by the euro changeover, or which are important for ensuring legal certainty and the smooth changeover. Harmonization of individual amendments will be coordinated by the Ministry of Finance and the Ministry of Justice.

Third group of laws.

A large group of other laws contains information in Slovak koruna or other provisions affected by the euro changeover. It will not be necessary, nor possible, to amend all these regulations prior to the date of euro introduction. Provisions of the umbrella law will relate to this group of laws. Regulations in the third group will be amended gradually after the changeover, when there will be also other reason for their amendment.

D.6) Information sources and communication

Information campaign.

For the success of the euro changeover it is important that every subject is informed in time, correctly and sufficiently on all the implications of euro changeover for her. The information campaign will have an informative and educational nature. The main information campaign will be targeted at the general public. Special attention will be given to sensitive groups (the elderly, children, handicapped persons, persons living alone, minorities) and economically weaker regions of Slovakia.

Small enterprises.

Regarding the business sector, the information campaign will focus on small- and medium-sized enterprises; large businesses and institutions will be provided with the necessary information but no specific campaign will be prepared for them.

Means of communication.

Appropriate means of communication will be selected for each target group. In general these will include information in the media, including advertisement, universal information material delivered to each household, website, various brochures, leaflets, posters, billboards, audio-visual materials, a free telephone line, professional conferences, training and lectures.

Campaign schedule.

The main part of the information campaign will take place in 2008. Some information activities will continue into 2009. However, information for businesses will be provided from 2005 onwards in order to give them sufficient advance notice in beginning to prepare for the euro changeover.

Campaign flexibility.

The information campaign will react flexibly to current results of public opinion surveys and will be conducted so that target persons do not have to actively out seek information on the euro changeover but so that appropriate communication channels reach them in time in their places of residence, households, schools, workplaces, etc.

D.7) Information and statistical systems

Changes to information systems will concern all subjects in the economy. The major changes will be in the banking and financial sector, but thorough preparation will also be necessary in general government and all private institutions.

The adaptation of information systems may take two, or possibly more years. Therefore it is necessary to begin preparations early enough. The euro changeover will affect all information systems working with financial information. In the case of some simple equipment (e.g. old cash registers) hardware changes will also be necessary, possibly also a replacement of the whole equipment.

D.8) Recommendations of the National Coordinator

The second part of the National Euro Changeover Plan for the SR contains recommendations of the National Coordinator for individual target groups. The fulfillment of these recommendations will ensure a smooth and quick euro changeover in Slovakia. In most cases the fulfillment of these recommendations will give the persons addressed a competitive advantage or favorable reception by citizens (consumers and voters).

The National Coordinator addresses its recommendations to banks and financial institutions, local authorities bodies and central government bodies, citizens and businesses.

D.9) Inflation risks of monetary conversion

One of the most serious risks in the euro changeover is an increase in prices or the perception of the citizens that the euro changeover has harmed them. In most countries which introduced cash euro in 2002 (the EU 12) the consumers felt that prices increased excessively.

From the economic aspect the euro changeover is not a reason for an increase in the price level. This is confirmed by statistical data from eurozone countries. In the EU 12 the euro introduction price effects were estimated at 0.09 - 0.28%, what was only a small part of overall inflation (2.5%). Consumers nevertheless perceived substantially higher inflation. This was caused by a combination of adverse circumstances which consumers incorrectly connected with the euro introduction (poor harvest and increase in the price level for foodstuffs, increase in certain taxes) and with an

increase in the prices of certain services (cafes and restaurants, accommodation and recreation services, etc.), in which the level of competition was low. An Appendix proposes procedures to prevent such ungrounded increases in prices, as well as the public perception that prices have increased excessively.