

ANNEXURE I

(para 1.8)

Summary of detailed events in the run up to the EMU and EURO	
1988	EMU Committee established (Delors Committee)
1989	Stage I of EMU begins with the publication of the EMU Report.
1992	The Treaty of European Union is signed at Maastricht. Inter-alia the treaty lays down the convergence criteria for EU members to join the EMU
1993	Treaty on European Union (Maastricht Treaty) ratified by member states.
1994	Stage II of EMU begins with the establishment of the EMI in Frankfurt.
End of 1996	The Council reports that the convergence criteria have still not been achieved for January 1, 1997 to be the first possible date for launch of Stage III.
March 25, 1998	The European Commission and the EMI recommend an 11-member EMU launch at Stage III in view of the high degree of sustainable convergence achieved by these countries.
May 2, 1998	The council adopts recommendation for the 11-member EMU; appoints the ECB Executive Board and decides to adopt current central parities for fixing irrevocably, parities for the currencies of the EMU participants.
January 1, 1999	Stage III A of the EMU. Euro will become a legal currency of EMU countries. The exchange rates of the currencies of participating states will be irrevocably locked; the value of ECU will be determined and converted to euros at the rate of 1:1. The ECB and ESCB will take control of the monetary policy. Open market operations, new public debt issues and foreign exchange payments will be in euros. Stock exchange quotes will be in euros. Notionally, the interest rate differentials between the member countries will disappear. The TARGET payment system will become operational. Systems eligible as Securities Settlement Systems and approved by ECB will join ESCB's settlement systems. The principle of 'no compulsion-no prohibition' will apply for three years, implying that individuals, corporates and institutions will be free to decide whether to switch to euro immediately or any time later in the next three years.
January 1, 2002	Stage III B of the EMU. Euro bank notes and coins will be introduced. Retail payments will shift to euro. All accounting will be converted from old national currencies to euro. SSSs will have to meet intra-day DvP settlement facilities. It is also the likely date for the expansion of EMU.
July 1, 2002	Stage III C: Former national currencies cease to be legal tenders six months after the introduction of euro bank notes and coins. Single currency is achieved.

Annexure II

ERM bilateral central rates to be used in determining the irrevocable conversion rates for the Euro.

(para 1.20)

<i>EMU Currencies</i>	DM =100								
BEL/LUF	2062.5	BEF/LUF =100							
ESP	8507.22	412.462	ESP =100						
FRF	335.386	16.2608	3.94237	FRF =100					
IEP	40.2676	1.95232	0.473335	12.0063	IEP 1=				
ITL	99000.2	4799.9	1163.72	29518.3	2458.56	ITL 1000=			
NLG	112.674	5.46285	1.32445	33.5953	2.79812	1.13812	NLG 100=		
ATS	703.552	34.1108	8.27006	209.774	17.4719	7.10657	624.415	ATS 100=	
PTE	10250.5	496.984	120.492	3056.34	254.56	103.541	9097.53	1456.97	PTE 100=
FIM	304.001	14.7391	3.57345	90.6420	7.54951	3.07071	269.806	43.2094	2.96571

Note:

(i) DM = Deutschemark; BEL/LUX = Belgium (Luxembourg) franc; ESP = Spanish peseta; FRF = French Franc; IEP = Irish punt; ITL = Italian lira; NLG = Dutch guilder; ATS = Austrian schilling; PTE = Portuguese escudo; FIM = Finnish markka.

(ii) In order to avoid minor arithmetical inconsistencies stemming from inverse calculations, only one bilateral rate for each pair of currencies as given in the Table will be used in conversion calculations.

Source : European Monetary Institute, Annual Report, 1997

Annexure III

Examples in Conversion and Rounding

(Para 3.17)

The following are three **hypothetical** conversion rates :

1 EUR : 1.23456 DM
1 EUR : 12.3456 FRF
1 Eur : 123.456 ESP

A. Conversion from EUR to NCU will involve multiplying by the fixed conversion rate :

EUR to FRF as an example

50.34 EUR * 12.3456 = 621.477504 FRF
rounded up = 621.48 FRF
40.05 EUR * 12.3456 = 494.441280 FRF
rounded up = 494.44 FRF

B. Conversion from NCU to EUR will involve dividing by the fixed conversion rate :

FRF to EUR as an example

1523.90 FRF / 12.3456 = 123.436690 EUR
rounded up = 123.44 EUR

C. Conversion from NCU to NCU will involve triangulation through the Euro

FRF to DM as an example

Step 1 : 3841.50 FRF / 12.3456 = 282.003305 EUR
rounded to three decimal places = 282.003 EUR*
Step 2 : 282.003 EUR * 1.23456 = 348.149624 DM
Rounded up = 348.15

* It is permissible (but not compulsory) to round the intermediate euro amount to no fewer than three decimal places. It is not permissible to round the intermediate euro amount to fewer than 3 decimal places.

Source : Understanding the Euro and what it means for your business – ANZ Grindlays August 1998

D. Conversion from NCU to another foreign currency (not a NCU)

The following are two **hypothetical** conversion rates :

1 EUR : 0.6778 Pound Sterling
1 EUR : 1.96804 DM

To Convert DM 1000 into euro applying Article 235 Regulation

Step 1 :

DM 1000 = $1000/1.96804$ = EUR 508.119753
(It may not be necessary to round the intermediate amount)

Step 2 :

EUR 508.12 = $508.11973 * 0.6778$ = GBP 344.40355
(No specific rounding convention at this step)

E. Conversion from foreign currency to a NCU (not a NCU)

To Convert Pound Sterling 1000 into DM applying Article 235 Regulation

Step 1 :

GBP 1000 = $1000/0.6778$ = EUR 1475.361463
(no specific rounding convention at this step)

Step 2 :

EUR 1475.361463 = $1.96804 * 1475.361463$ = DM 2903.570373
rounded as per Article 235 Regulation = DM 2903.57

F. Conversion from NCU to US dollar (say from DM to USD)

The following are two hypothetical conversion rates :

1 EUR : 1.96804 DM
1 EUR : 1.1050 USD (market rate)

Step 1 :

DM 1000 = $1000/1.96804$ = EUR 508.11975

Step 2 :

EUR 508.11975 = $508.11975 * 1.1050$ = USD 561.4723 = USD 561.47

G. Conversion from USD to DM**Step 1 :**

$$\text{USD } 1000 = 1000/1.1050 = \text{EUR } 904.9774$$

Step 2 :

$$\text{EUR } 904.9774 = 904.9774 * 1.96804 = \text{DM } 1781.031722 = \text{DM } 1781.03$$

Source : Bank of England : Practical Issues Arising from the Introduction of Euro October, 1998

Annexure IV

Summary Table of Conversion Methods: **(Para 3.17)**

	From NCU	From euro	From another currency
To NCU	Article 235 Regulation: Triangulation	Article 235 Regulation: fixed conversion rate	Via euro or cross rates
To euro	Article 235 Regulation: fixed conversion rate		Foreign Exchange: market exchange rate
To another currency	Via euro or cross rates	Foreign Exchange: market exchange rate	

Annexure V

EURO LIBOR and EURIBOR

(para 3.24)

	EURO LIBOR	EURIBOR
Published by	British Bankers Association (BBA)	European Banking Federation (EBF)
Time for publication	11.00 a.m. London time, daily	11.00 a.m. Brussels time, daily
Days of publication	TARGET Calendar business days	TARGET Calendar business days
For value	Second TARGET day after fixing	Second TARGET day after fixing
Day Count Basis	Actual number of days/360	Actual number of days/360 An equivalent in actual number of days/365 will also be published
Panel	16 major banks active in the euro market in London. The list of banks contributing to the LIBOR will be established by BBA during the third quarter of 1998	• 47 EMU banks • 4 non-EMU but EU banks • Upto 6 international banks located in the 'in' area
Determination of the panel of contributors	British Bankers Association	Regularly revised by EURIBOR Selection committee
Calculation	• Elimination of the 4 highest and 4 lowest quotes • Average of the remainder	• Discard top and bottom 15% • Average of the remainder
Fixing periods	1 week, 1 month to 12 months	1 week, 1 month to 12 months

Annexure VI

Money, Foreign Exchange and Bond market Conventions

(para 3.29)

i. Money Market :	
Day count basis	Actual/360 (expected)
Settlement basis	Spot (two days) standard
Fixing period for derivatives contracts	Two day rate fixing convention
Business days	Target operating days form the basis of euro business days
ii. Foreign Exchange Market :	
Settlement timing	Spot conventions, with interest accruals beginning on the second day after the transition has been executed.
Quotation	Certain for uncertain (i.e. ER 1 = X foreign currency units)
Reference rate	The ECB or NCBs would be responsible for the publication of daily closing reference rates
iii. Bond Markets :	
Day count basis	Actual/Actual
Quotation basis	Decimals rather than fractions
Business days	Target operating days will form the basis of euro business days
Coupon frequency	No standard practice recommended
Settlement dates	The standard for internationally traded cross-border transactions for euro should remain on a T+3 business days

Annexure VII

EEFAS – European Bond Commission Recommendation **on Euro Bond market Conventions** **(para 3.37)**

- Price – yield formula has been stipulated;
- When counting days between dates, the settlement date is excluded, while the distant date is included;
- For the purpose of calculating years and fraction of years, time should be counted backwards from the final contractual cash flow;
- Redemption of bonds as well as coupon payments on February 29, should be avoided;
- The last coupon period should not be irregular;
- Actual/actual day count convention means : actual number of days elapsed/actual number of days in the period;
- By definition fixed rate bonds have equal periodic payments. Thus semi-annual coupons should be equal to half of the annual rate regardless of the number of days in the period; similarly quarterly coupons should be equal to quarter of the annual rate;
- Bond coupon rates and prices should be expressed in decimal format;
- Treasury bills and money market instruments should use actual/360 basis both for day count, and discounted yield, regardless of their effective maturity;
- Stripped bonds should be quoted on a yield basis, based on actual/actual day.

Annexure VIII

International uses of major currencies before and after the euro (para 4.10)

(in percentages)			
Use	Currency	Before	After
Official Reserves	EU/euro	24	16
	Dollar	69	76
	Yen	7	8
International Assets	EU/euro	34	13
	Dollar	40	53
	Yen	12	15
Foreign Exchange Transactions*	EU/euro	70	56
	Dollar	84	92
	Yen	24	23
Denomination of Trade	EU/euro	34	22
	Dollar	48	59
	Yen	5	6
GDP (% of G-10)	EU/euro	36	36
	Dollar	37	37
	Yen	23	23
International Trade (% of G-10)	EU/euro	55	32
	Dollar	23	34
	Yen	13	20

* The percentages concerning the foreign exchange transactions sum to 200 as there are two sides to each transaction

Source : McCauley Robert N.(1997), 'The euro and the dollar', BIS Working Paper 50 (November)

Annexure IX

Summary of ICC Decision on the impact of euro on monetary obligations related to transactions involving ICC Rules (para 3.53)

	Date of Issuance of Credit	Payment and Denomination of Documents
1.	Documentary credits issued and payable Before January 1, 1999 in a national currency unit	Payments in currency of credit Documents denominated in currency of credit
2.	Documentary credits issued before January 1, 1999 and payable between 1.1.99 and 1.1.2002 in a national currency unit	Payment in currency of credit Documents issued between 1.1.99 to 1.1.2002 may be presented either in the currency of the credit or in the euro equivalent or equivalent cross-value in the national currency unit of the beneficiary's place of business. However, if payment to be made in the currency of an EMU participating state, and by crediting an account located in such member state, payment may at the debtor's option (issuing bank's) be effected in euro equivalent.
3.	Documentary credits issued in a national currency unit before 1.1.1999 and payable on or after 1.1.2002	Payments to be made in euro. Documents issued between 1.1.1999 to 1.1.2002 may be presented either in the currency of credit or in euro equivalent, or equivalent cross value in national currency unit of beneficiary's place of business. Documents issued on or after 1.1.2002 must be denominated in euro.
4.	Documentary credits issued and payable on or after 1.1.1999 and before 1.1.2002 in a national currency unit or euro	Payments in currency of credit Documents issued between 1.1.1999 to 1.1.2002 may be presented in the currency of credit or in euro equivalent or in the equivalent cross value in the national currency unit of the beneficiary's place of business. However, where the currency of credit is a national currency unit, and the payment is to be made in the currency of a particular EMU participating state by crediting an account located in such member state, payment may at the debtor's (issuing bank's) option be effected in euro.
5.	Documents of credit issued between 1.1.99 and 1.1.2002 in a national currency unit or in euro, payable but after 1.1.2002	Payment made in euro. Documents may be presented either in the currency of credit or as the case may be, in euro or in national currency unit of the beneficiary's place of business, provided always that the documents issued on or after January 1, 2002 must be denominated in euro.

6.	Documentary Credits issued and payable on or after 1.1.2002	Credits cannot be issued in a national currency unit. They must be issued in euro, payments made and documents denominated in euro.
7.	Bank to bank reimbursements	Reimbursement claims to be made and honoured in the currency of the reimbursement authorisation/undertaking. However if such currency is the national currency unit of an EMU participating state, from 1.1.1999, they <u>may</u> be made and honoured in the euro equivalent, and as from 1.1.2002 they <u>must</u> be made and honoured in euro equivalent.

- For 1 to 5 above, documents (including insurance documents mentioned in Uniform Customs and Practices 341) are not considered as being inconsistent with one another, if, in a single presentation of documents, any documents are denominated in the currency of credit/and or in euro and/or in the national currency unit of the beneficiary's place of business.
- The principles also apply to transferable credits. Transferable credits issued in a national currency unit, and to be transferred during the transitional period, the transferring bank may convert the currency and amount of the credit into the euro equivalent.
- The principles also apply to guarantees and bonds.
- Collections to be made in the currency stipulated in the collection instructions. However if the collection instrument stipulates a national currency unit of an EMU participating state, as of 1.1.99 payment may be made in euro equivalent, and as of January 1, 2002, payment must be made and accepted in euro equivalent.

Annexure X

RBI Working Group on Euro

Chairman	:	Shri V. Subrahmanyam, Executive Director Reserve Bank of India Mumbai
Members	:	
1.	Shri Khizer Ahmed	Chief General Manager Exchange Control Department Reserve Bank of India Mumbai
2.	Smt. Usha Thorat	Chief General Manager Internal Debt Management Cell Reserve Bank of India Mumbai
3.	Shri M.R. Nair	Adviser Department of Economic Analysis and Policy Reserve Bank of India Mumbai
4.	Shri Anil Swarup	Export Commissioner Directorate General of Foreign Trade Ministry of Commerce Government of India New Delhi
5.	Shri J.K. Batra	Commissioner (Systems) Directorate of Systems Customs and Central Excise New Delhi
6.	Shri Girija Pandey	General Manager ANZ Grindlays Bank Mumbai
7.	Shri N.K. Puri	Chief General Manager International Banking State Bank of India Mumbai
8.	Shri P.R. Yagnik	General Manager Bank of India Mumbai
9.	Shri B. Y. Olkar	Chief Executive Foreign Exchange Dealers Association of India Mumbai

Member Secretary :

Smt. Shyamala Gopinath

**Chief General Manager
Department of External
Investments & Operations
Reserve Bank of India
Mumbai**

**Secretarial Assistance
(Reserve Bank of India)**

**Department of External Investments &
Operations
Department of Banking Operations and
Development**

Table 1**Characteristics of the euro area, 1997**

(para 1.12)

		Euro area	EU-15	United States	Japan
Area	1,000 km²	2,365	3,234	9,373	378
Population	million	290	374	268	126
GDP	% of world GDP	19.4	24.6	19.6	7.7
Sectors of production:	% of GDP	2.4	2.4	1.7	2.1
Agriculture, fishing, forestry					
Industry					
Services					

Source : BIS, unpublished article by Elmar B. Koch (1998)

Table 2**Economic and financial structure of the euro area, 1997**

(para 1.12)

		Euro area	EU-15	United States	Japan
Exports	% of GDP	12.3	9.2	8.1	8.8
Imports	% of GDP	11.0	8.6	10.6	6.9
Exports	% of world exports	19.5	...	14.8	9.7
Net international investment position	\$ billion	150¹	25²	-1320	960
Stock market capitalisation	\$ billion	1790	3290	5790	3100
Debt securities	\$ billion	5900	7320	9330	4500
Bank assets	\$ billion	11130	13780	4650	6860

Source : BIS, unpublished article by Elmar B. Koch (1998)

¹ Except Ireland and Luxembourg. Partly estimated.

² Except Greece, Ireland and Luxembourg. Partly estimated.

Table 3**+Economic indicators of the euro area, 1997**

(para 1.12)

		Euro area	EU-15	United States	Japan
Real GDP	%	2.5	2.7	3.8	1.0
CPI inflation	%	1.6	1.7	2.3	1.7
Unemployment rates	%	11.6	10.6	4.9	3.4
Short-term interest rates	%	4.4	5.1	5.6	0.7
Long-term interest rates	%	5.7	5.9	5.9	1.7
Current account balances	% of GDP	1.7	1.2	-1.9	2.2
General Government balances	% of GDP	-2.5	-2.4	-0.3	-3.4
Gross debt	% of GDP	75.2	72.1	63.1	99.7

Source : BIS, unpublished article by Elmar B. Koch (1998)

Table 4**Foreign exchange reserves at the European Central Bank, end-1997**

(para 2.10)

(in billions of US dollars)

	Non-EU foreign exchange reserves	Share of ECB capital (%)	Foreign exchange contribution to ECB	“Surplus” foreign exchange reserves
Austria	13.2	3.0	1.4	11.9
Belgium/L	9.7	3.9	1.7	8.0
Finland	5.7	1.8	0.8	4.9
France	14.6	21.1	9.5	5.0
Germany	68.9	31.0	14.0	54.8
Ireland	4.5	1.1	0.5	4.0
Italy	32.2	19.0	8.6	23.6
Netherlands	15.1	5.4	2.4	12.7
Portugal	9.6	2.5	1.1	8.5
Spain	46.3	11.2	5.1	41.3
Total	219.7	100	45.1	174.6

Source : Welfens, Paul J.J. (1998) “Exchange rate policy for the euro : Theory, strategic issues and policy options, European Institute for International Economic Relations, Discussion Paper 50, Potsdam July

Table 5**Changeover dates for markets**

(para 3.21)

Markets	Transaction and Dates (Flows)	Instruments Conversions (Stocks)
Forex markets	EURO January 1-7, 1999 Quotes Trading	EURO Gradual Conversion of Outstanding Currency Swaps, Options and Futures
Money Markets	EURO January 1, 1999 Quotes Trading	EURO 1. Automatic conversion of ECU- denominated securities into euro-denominated ones. 2. Rapid conversion of national currency-denominated securities and repos into euro- denominated ones.
Bond Markets	EURO January 1, 1999 Quotes Trading	1. Automatic conversion of ECU- denominated bonds into euro- denominated ones. 2. Conversion of outstanding government bonds into euro- denomination at the start itself. ¹ 3. New government bonds issued in euro. 4. Gradual conversion of outstanding private sector bonds. ²
Equity Markets	EURO January 1, 1999 Quotes Trading	EURO Conversion of par values into euro on January 1, 2002

Source : BIS, unpublished article by Elmar B. Koch (1998)

¹ Only actively traded bonds; excludes a lot of bonds in Austria, Belgium; for Portugal only bonds maturing after 31.12.99

² It is unlikely that private issuers will redenominate because of legal problems; however, they will issue new bonds in EURO only.

Table 6**Currency composition of foreign exchange reserves**

(para 4.7)

(in billions of US dollars)

		Euro currencies¹	US dollars	Japanese Yen	Other²	As a % of Total
Emerging countries	1991	42.1	186.5	20.2	130.2	42.4
	1994	71.6	288.5	35.0	164.8	49.3
	1997	91.8	453.3	34.9	316.9	56.1
Industrial countries	1991	197.1	225.4	50.0	43.1	57.6
	1994	191.5	293.4	47.5	42.7	50.7
	1997	198.7	403.3	41.0	59.8	43.9
Total	1991	239.2	411.9	70.2	173.3	100.0
	1994	263.1	581.9	82.5	207.5	100.0
	1997	290.5	856.6	75.8	376.7	100.0

Source: IMF : Exchange Rate Management and Exchange Restrictions, Annual Report, 1997

¹ Includes Deutsche mark, French francs, Dutch guilders and ecus

² Includes Pound sterling, Swiss francs and other currencies

Table 7**Currency composition of non-industrial country reserves**

(para 4.7)

(in billions of US dollars and percentages, end-1997)

Currency	Developing countries		Eastern Europe	Total	Memo item: global total
		of which: Taiwan			
US dollar	593.9	55.1	37.8	631.7	1103.4
	73.1%	66.0%	51.3%	71.3%	69.9%
Japanese Yen	54.3	8.4	0.0	54.3	99.3
	6.7%	10.1%	0.0%	6.1%	6.3%
Euro currencies of which:	110.3	16.7	34.1	144.4	304.1
	13.6%	20.0%	46.2%	16.3%	19.3%
a. Deutsche mark	94.6 11.6%	16.7 20.0%	33.3 45.1%	127.8 14.4%	257.0 16.3%
b. French franc	11.3 1.4%	0.0 0.0%	0.8 1.1%	12.1 1.4%	18.7 1.2%
c. Dutch guilder	4.5 0.6%	0.0 0.0%	0.0 0.0%	4.5 0.5%	6.4 0.4%
Pound sterling	41.3	0.0	1.0	42.4	56.7
	5.1%	0.0%	1.4%	4.8%	3.6%
Swiss franc	12.2	3.3	0.8	13.0	14.9
	1.5%	4.0%	1.1%	1.5%	0.9%
Total	812.1	83.5	73.7	885.8	1578.5
	100%	100%	100%	100%	100%

Note: Developing countries include Hong Kong and Taiwan. Taiwan's disclosed currency share as of May 1997 is applied to end-1997 holdings. Euro-currencies include holdings of private ECUs. Dollar reserves of developing countries are reduced by the current value of the Brady bond collateral held at the Federal Reserve Bank of New York and by advance payments for US military exports as reported in the Treasury Bulletin. The reserve composition of Eastern European countries is estimated. The global total includes industrial countries.

Sources: Hong Kong Monetary Authority, Central Bank of China as reported in Reuters, 29th May 1997, US Treasury Treasury Bulletin, June 1998, Basle IFS-2, IMF, and BIS estimates as shown in McCauley, Robert N. (1997) "The euro and the dollar", BIS Working Paper 50 (November)

Table 8**Currency composition of emerging country debt**

(in billions of US dollars and percentages, end-1996)

Obligors	Currency				
	US dollar	Yen	EU currencies	Other	Total
Eastern Europe	138.0 37.0%	42.6 11.4%	101.9 27.3%	90.9 24.3%	373.4 100%
Banks	7.3	0.5	14.3	5.3	27.4
World Bank	130.8	42.2	87.5	87.5	346.1
Asia	344.7 46.3%	243.4 32.7%	71.7 9.6%	85.4 11.5%	745.1 100%
Banks	135.7	80.1	10.6	16.9	243.3
World Bank	209.0	163.3	61.1	68.5	501.9
Latin America	421.1 67.4%	66.0 10.6%	72.0 11.5%	65.2 10.4%	624.3 100%
Banks	100.3	2.2	7.1	4.2	113.7
World Bank	320.8	63.8	65.0	61.0	510.7
<u>Total</u>	1044.5 50.2%	377.1 18.1%	329.4 15.8%	331.4 15.9%	2082.5 100%
Banks	245.0	73.9	32.9	22.3	374.1
World Bank	799.5	303.2	296.6	309.1	1708.4

Source : Mcauley, Robert N. and William R. White (1997) "The euro and European financial markets" *EMU and the International Monetary System*, eds Masson, Krueger, Turtleboom, IMF

Table 9**Currency composition of emerging countries' bank loans and securities**

(in billions of US dollars and percentages, end-1997)

	Currency				Total
	Euro	US dollar	Yen	Other¹	
Asia	14.6 3.9%	147.0 32.9%	27.4 6.1%	258.2 57.7%	447.3 100%
Bank Loans	12.0	125.6	254.5	254.5	416.8
Securities	2.5	20.0	2.7	2.4	27.7
Eastern Europe	32.8 31.0%	45.3 42.9%	2.2 2.1%	25.3 24.0%	105.5 100%
Bank Loans	30.5	38.1	0.5	20.4	89.5
Securities	1.8	6.8	1.7	3.9	14.2
Latin America	11.1 3.6%	168.2 55.1%	4.2 1.4%	122.0 39.9%	305.4 100%
Bank Loans	5.7	141.4	3.1	116.2	266.4
Securities	5.2	25.1	1.1	2.6	34.1
Total²	87.8 8.8%	424.0 42.5%	36.9 3.7%	447.9 44.9%	996.6 100%
Bank Loans	77.2	66.9	31.0	430.2	905.3
Securities	9.9	53.2	5.9	12.0	81.0

Note : Components may not add to totals due to unallocated residuals*Source : BIS, unpublished article by Elmar B. Koch (1998)*¹ Includes British Pounds, Swiss Francs and unallocated currencies² Includes all developing countries and Eastern Europe

Table 10

Trade invoicing in major currencies
(para 6.1)

(percentages)

	1980	1992	1996
US Dollar	56.4	47.6	47.0
Deutsche Mark	13.6	15.5	15.7
French Franc	4.5	6.3	6.5
Japanese Yen	2.1	4.8	4.9
Pound Sterling	-	5.5	5.7

Source : Subrahmanyam Ganti, S.V.S.Dixit and Arindam Roy (1998) "EMU, Euro Group" Study No 15, Reserve Bank of India (March)

Abbreviations and Glossary

BBA	British Bankers Association
Bilateral parities	Exchange rates between EMU member countries, e.g. DM/FRF.
Cent	Decimal unit of the new euro currency
CET	Central European Time
CHAPS	Clearing House Automated Payment System (U.K.)
Conversion rates	Gives the number of 'in' currency units for 1 euro, and will be defined with six significant digits. These conversion rates will depend on the value of the ECU on December 31, 1998, and will therefore not be fixed until that date.
Conversion weekend	From the European close of business on Thursday 31 December, 1998 to the start of business trading on Monday 4 January, 1999. The world financial markets will introduce the euro over this long weekend.
Council (of the EU)	EU Council of Ministers, the highest decision making body
DvP	Delivery versus Payment
EBA	Euro Banking Association
EC	European Commission, officially the 'Commission', the EU's 'executive committee'. It consists of 20 commissioners, acts independently of national governments and takes initiative in generating European regulations.
ECB	European Central Bank. An independent governing body established to determine and implement monetary policy for euro-zone countries.
ECOFIN	Council of Ministers of Finance (or Economic Affairs)
ECU	European Currency Unit. The current pan European currency. This will be replaced by the euro on a 1 : 1 basis on 1 January, 1999.
EEC	European Economic Community
EONIA	Euro Overnight Index Average
EMI	European Monetary Institute
EMS	European Monetary System. In place since 1979 and intended to create a zone of monetary stability in Europe. It consists of an exchange rate mechanism (ERM) and certain credit facilities.
EMU	European Economic and Monetary Union. The event which unifies the 11 participating countries into a single economic bloc on January 1, 1999.
ERM-2	Exchange Rate Mechanism 2
ESCB	European System of Central Banks
EU	European Union (formerly European Community). The group of 15 countries which created a single European market. This includes the 11 confirmed euro zone countries plus the United Kingdom, Denmark, Sweden and Greece.

EURIBOR	A new set of Benchmark interest rates for a range of maturities for the euro as determined by a panel of 57 banks, for application inside EMU countries.
Euro	The official currency which replaces the old currencies of the 11 participating countries plus the ECU
EURO LIBOR	A set of Benchmark interest rates for a range of maturities for euro, externally set by a panel of 16 major banks in London.
Euro-zone Euro area Euroland	Assorted media generic descriptions of the 11 participating countries
European Council	Consists of the heads of state or government plus the president of the European Commission. The body meets twice a year, in the last month of the half year in the country holding the presidency at that moment.
FEDAI	Foreign Exchange Dealers Association of India
FIBOR	Frankfurt Interbank Offer Rate
FRN	Floating Rate Notes
GDP	Gross Domestic Product
IMF	International Monetary Fund
In currency or 'ins'	The term applies to all currencies eligible to join the European Monetary Union on January 1, 1999.
ISDA	International Swaps and Derivatives Association
LIBOR	London Inter-bank Offer Rate. Key set of benchmark interest rates being an average of the rates quoted daily by a panel of 16 prime reference banks in London for euro currency loans and deposits for a series of given maturities.
NCB	National Central Bank
NCU	National Currency Unit. The existing currencies of the 11 participating countries i.e. French Franc, Deutsche Mark, Dutch Guilder, Spanish Peseta, Italian Lira , Portuguese Escudo, Finnish Markka, Austrian Shilling, Irish Punt, Belgium Franc and Luxembourg Franc. The terms national currencies, NCU, national denomination of the euro have been used interchangeably in the report.
'No compulsion-No Prohibition'	A principle which prescribes that during the transition period, people have free choice to transact in either the euro or a NCU.
Out currencies	The term designates all currencies remaining outside the European Monetary Union on 1 January, 1999, such as the GBP, USD or the JPY.
PIBOR	Paris Inter-bank Offer Rate.
Reconventioning	Changing the issue terms of a security, e.g., changing the interest period or method of accrual of a bond.
Redenomination	The normal process of changing the currency unit of an outstanding contract or obligation to the euro without altering any other terms of the contract or obligation.
Renominalisation	After a security, (e.g. a corporate or government bond) has

	been redenominated, the face value may also be changed, e.g. an existing tranche of Deutschemark bonds may be issued in several certificates, each say with a face value of DM 10,000. These may convert to EUR 5060. The issuer may choose to 'round off' the new euro face value to EUR 5000 with a separate certificate or a cash payment to each holder for the odd amount remaining.
RIBOR	Rome Inter-bank Offer Rate.
RTGS	Real Time Gross Settlement System (national inter-bank payments).
SDRs	Special Drawing Rights.
SIBOR	Singapore Inter Bank Offer Rate
SSI	Standard Settlement Instructions
SSSs	Securities Settlement Systems
SWIFT	Society for World-wide Inter-bank Financial Telecommunications
TARGET	Trans-European Automated RTGS Express Transfer System
Transition Period	The period during which the euro will co-exist with the 11 NCUs (1 January 1999 to 31 December 2001)
Triangulation	A three step process used to convert from one NCU to another via the euro. This process will be used during the transition period, eg. to convert from FRF to DM, it will be required to convert FRF to euro, then from the euro to DM and round the new total.

Useful Websites for Information:

Austria	Http://www.oebfa.co.at
Bank of England	http://www.bankofengland.co.uk/euroweb.htm
Belgium	http://www.Euro.fgov.be/
Cedel	Http://www.cedelgroup.com
Euroclear	Http://www.euroclear.com
European Central Bank	http://www.ecb.int
European Commission	http://europa.eu.int/euro
Finland	http://www.vn.fi/vm/english/mof.htm
France	http://www.Sicovam.com
Germany	http://Bundesministerium.de
Ireland	http://www.ntma.ie
Italy	http://www.tesoro.it
Luxembourg	http://www.etat.lu/FI
Netherlands	http://www.minfin.nl
Portugal	http://www.igcp.pt
Reuters	http://www.reuters.com
Spain	http://www.meh.es/tesoro

ACKNOWLEDGEMENTS

1. **ABN-AMRO Bank**
2. **ANZ Grindlays Bank**
3. **American Express Bank**
4. **Bank for International Settlements**
5. **Bank of England**
6. **Banque Paribas**
7. **Daiwa Bond Research**
8. **Deutsche Bank**
9. **Dresdner Bank**
10. **European Commission**
11. **Foreign Exchange Dealers Association of India**
12. **Generale Bank**
13. **Societe Generale**

