



**GOVERNMENT OF THE REPUBLIC OF CROATIA
CROATIAN NATIONAL BANK**

THE NATIONAL EURO CHANGEOVER PLAN

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UVOĐENJE
EURA U
REPUBLICI
HRVATSKOJ

FOREWORD BY THE PRIME MINISTER OF THE REPUBLIC OF CROATIA



In its previous and its current term in office this Government has had two strategic goals for Croatia's deeper European integration, giving our membership in the European Union its full meaning: introducing the euro and joining the Schengen Area. With this aim, we adopted the Strategy for the Adoption of the Euro in Croatia already in May 2018, initiating a years-long process of euro area accession.

Together with the Croatian National Bank, we opened public consultations on this topic in October 2017, showing our readiness to involve the general public in this long process. We clearly explained the analyses of costs and benefits of introducing the euro and described conditions and steps to be undertaken on this path. From the very start, we had hoped to join the European Exchange Rate Mechanism II in 2020, the year of the Croatian Presidency of the Council of the European Union. Looking back on it, it was an ambitious plan. Today, it is a reality.

I am proud to say that together we managed to implement this ambitious plan despite the unfavourable circumstances we faced after one of the strongest earthquakes in Croatia's history and amidst the COVID-19 pandemic. As a result of considerable efforts and successful coordination of all stakeholders involved in the process, the Croatian kuna joined ERM II on 10 July 2020. It was a confirmation of the accuracy of our initial expectations and assessments, as well as a confirmation of the success of our prudent economic and fiscal policy. Behind all this is continued progress in implementing reforms and persistent reduction of macroeconomic imbalances and structural vulnerabilities, without which our goal would have been unattainable.

By joining ERM II, Croatia met the last political precondition for joining the euro area, so the process entered its final stage with a clearly defined framework, which makes the introduction of the euro possible as early as 1 January 2023. Aware of the benefits that the euro will bring to Croatia's citizens and its economy, we remain fully committed and determined to introduce the euro at the earliest possible date. This requires us to meet the Maastricht nominal convergence criteria and implement structural measures, to which we committed upon joining ERM II. In addition, on the operational level, we need to prepare for the changeover from the Croatian kuna to the euro. Without underestimating the scope of the challenge and the complexity of the task ahead, especially under the current unusual circumstances, I am confident that we will complete the remaining tasks on time.

A two-year period of participation in the Exchange Rate Mechanism II lies ahead, during which we need to meet the five Maastricht criteria of nominal convergence: the two fiscal criteria - government deficit and debt - the inflation criterion, the interest rate criterion and the exchange rate stability criterion. In the period from 2016 to 2019, all relevant macroeconomic

indicators already ranged within the bands set by these criteria. However, since we were then not part of ERM II, we were unable to formally meet the exchange rate stability criterion. The ongoing crisis will, to a great extent, make the fulfilment of fiscal criteria difficult.

Nevertheless, this will not deter us from our plan to lower the budget deficit already in 2021 to below the critical threshold of 3% of GDP and steer the public debt-to-GDP ratio back onto a downward path in order to meet the fiscal criteria.

For the benefits of introducing the euro to reach their full potential, it is necessary that we continue to create an environment conducive to sustainable economic convergence. We will, therefore, in the upcoming year fulfil all eight measures in four reform areas – strengthen the anti-money laundering framework, reduce administrative and financial burden on the economy, enhance public sector governance and improve the national insolvency framework – to which we committed upon joining ERM II, and which are important for achieving a high degree of sustainable economic convergence and successful participation in the third stage of Economic and Monetary Union.

While continuing to pursue prudent economic and structural policies aimed at strengthening the competitiveness and resilience of the Croatian economy, we will start concrete operational preparations for the changeover from the Croatian kuna to the euro. Currency changeover is a complex process which relies on a large number of involved stakeholders and numerous preparations that are to be completed within a relatively short time. With this in mind, the Government and the Croatian National Bank have prepared this strategic document – the National Euro Changeover Plan – outlining the plan for the implementation of key activities required for the efficient and successful changeover to the euro, planned for 1 January 2023, if, in the meantime, we meet all the criteria and if wider economic and financial circumstances allow it.

The economic recovery, which will contribute to Croatia's better macroeconomic indicators, will be aided by the EUR 24.5 billion available to us from EU funds and, in particular, by the implementation of our National Recovery and Resilience Plan.

In all upcoming activities related to the introduction of the euro, we will award special attention to keeping our citizens informed, and we are fully committed to protecting the consumers. With this aim, we will follow good practices established in the countries that have already introduced the euro and by implementing various mechanisms successfully protected their citizens from unjustified increase in prices. The years-long stability of our exchange rate will provide additional support. Therefore, I believe that our efforts will be successful and that Croatian citizens will recognise how the euro, once it is introduced, contributes to improving their standard of living and Croatia's further economic development.



Andrej Plenković
Prime Minister

FOREWORD BY THE GOVERNOR OF THE CROATIAN NATIONAL BANK



Since the very beginning of this process in 2017 and the launch of the Strategy for the Adoption of the Euro in the Republic of Croatia our motive has been clear – the undeniable long-term and significant benefits of euro area membership, which, in view of local specifics considerably outweigh the possible shortcomings. Having made the key step towards introducing the euro, possibly as soon as 1 January 2023, by successfully joining ERM II, our motive remains as strong today. Although this final leg of the journey towards introducing the euro may seem as a mere formality, achieving this

objective within the set time frame requires flawless preparation, which makes it a truly ambitious endeavour.

To remain in the fast lane to the introduction of the euro, alongside prudent economic and structural policies, careful planning of the operational activities for the changeover from the Croatian kuna to the euro needs to take place. With that in mind, this National Euro Changeover Plan has been prepared, describing all major operational activities required for the smooth running of the process and its key elements, such as conversion of prices and other monetary values, conversion of loans and deposits, as well as adjustments of variable interest rates. The plan builds on the Eurostrategy and its main principle is consumer protection – the process must be free of charge for consumers, which means that they must not end up in a less favourable financial position than they would have been in if the euro had not been introduced. Bearing this in mind, special attention has been given to measures and mechanisms for the protection of consumers against incorrect price conversion and their unjustified increase.

Activities relating to the changeover from the kuna to the euro will be designed and implemented by numerous actors from all segments of the economy, the financial and the government sectors. The success of the entire process therefore depends heavily on efficient organisation and coordination of all participants, as well as on communication with the public and entrepreneurs. For this reason, six coordination committees will be established – for the cash changeover, for legislative adjustments, for the adjustment of the general government, for the adjustment of the financial system, for the adjustment of the economy and consumer protection and for communication – each of them setting out the details of required activities within its area of competence and overseeing their implementation.

Withdrawing the kuna and putting the euro banknotes and coins into circulation is the key operation in the changeover process, which will be facilitated and overseen by the Croatian National Bank. This complex operation must ensure a speedy and practical changeover to the euro in all parts of the country. The complexity of the endeavour is best illustrated by the fact that over 500 million pieces of kuna banknotes will need to be withdrawn, which stacked one on top of the other would form a 50-kilometre pillar, that is, almost six times the height of Mt.

Everest, and more than 1.1 billion pieces of kuna and lipa coins, which put together weigh the same as 120 of Zagreb's trams and would fill a football field up to a half a meter in height. At the same time, comparable quantities of euro banknotes and coins will have to be put into circulation. This is where our experience from the 1990s and the successful completion of two currency changeovers, first to the Croatian dinar and then to the kuna, will surely prove to be useful.

In conclusion, the euro will affirm the equality of our citizens with the citizens of the largest and strongest European economies, and contrary to common perception, increase the room for manoeuvre in conducting economic policy. The Croatian euro coins, which we will release into circulation, will portray Croatian motifs on the national side, and will circulate on an equal footing in all euro-area countries. We intend to involve Croatian citizens into the process of selecting the national motifs, which will become an important element of our recognisability from Cyprus to Finland and from Ireland to Portugal. This will make everybody aware that the euro has become our currency as well. Although it might sound pretentious, putting Croatian euros into circulation will symbolically mark the widening of our monetary jurisdiction to the entire euro area.

From the date of the introduction of the euro, the Croatian National Bank will have a seat at the table where the euro area monetary policy is decided. These decisions are already very much our concern due to the euro's global importance – it is the second most important currency in the world – and due to the intensity of our economic and financial ties to the euro area. While financing conditions in Croatia are already significantly affected by the euro area monetary policy, after the introduction of the euro our vote will count when the most important European financial institution takes its decisions. Aiming to achieve this historical goal, the Croatian National Bank will continue to run a monetary and exchange rate policy focused on maintaining low and stable inflation and to diligently work together with all the stakeholders involved in the operational preparations for the introduction of the euro.



Boris Vujčić
Governor

CONTENTS

SUMMARY	8
1 INTRODUCTION	11
2 KEY TERMS AND THE TIME SCHEDULE OF THE CURRENCY CHANGEOVER PROCESS	13
2.1 Key terms	13
2.2 Time schedule of the currency changeover process	16
3 LEGAL BASIS	18
3.1 Legislative framework of the European Union	18
3.2 The euro in national legislation	19
4 TASKS AND RESPONSIBILITIES OF INDIVIDUAL STAKEHOLDERS	21
4.1 Coordination of preparatory activities for the introduction of the euro.....	21
4.2 Croatian National Bank	25
4.3 Banks and non-bank financial institutions	28
4.4 The government sector	30
4.5 The corporate sector	32
5 CONSUMER PROTECTION	35
5.1 Price conversion rules	35
5.2 Dual display of prices.....	36
5.3 Informing citizens.....	37
6 KUNA TO EURO CONVERSION PROCESS	39
6.1 Frontloading of euro banknotes and coins to banks and sub-frontloading of euro banknotes and coins to enterprises, Fina and Hrvatska pošta d.d.	39
6.2 Conversion of cash, deposits and loans	41
6.3 Conversion of securities	48
7 INFORMATION CAMPAIGN	50
7.1 Activities undertaken immediately after the launch of the Eurostrategy	50
7.2 Objectives of the information campaign and targeted groups	50
7.3 Timetable of information activities	52
Legal sources.....	55
Abbreviations	56

SUMMARY

On the day of its adoption, the euro will become legal tender in the Republic of Croatia. This will greatly benefit the Croatian economy. For instance, the currency risk in euro, which the majority of debtors are exposed to, will be eliminated, international trade with the euro area Member States will be made easier because there will be no need for frequent conversions from kuna to euro and vice-versa; borrowing will become more favourable and the economy's resilience to external shocks will increase. All of this will contribute to the improvement of the business and investment climate in the Republic of Croatia. The changeover from the Croatian kuna to the euro is an exceptionally complex process. It will involve a large number of stakeholders and will rely on the principles of efficiency and timely information provided to all participants in the process, especially citizens.

The conversion of cash, deposits, loans, prices and other monetary values will be conducted free of charge at a fixed conversion rate. In the conversion process, cash, prices and other amounts expressed in the kuna will be converted to the euro at the fixed conversion rate expressed in the full numerical amount, which means including all of its five decimal places. The obtained amount will be rounded up to two decimal places. Conversion at a truncated fixed conversion rate will not be allowed.

The majority of the banknote and coin changeover will be completed within the first two weeks of adopting the euro. Banks will provide the service of exchanging kuna banknotes and coins to euro for a year after the euro adoption. In the first six months, the exchange of cash will be free of charge, while in the six months thereafter banks will be allowed to charge a fee for the service. It will also be possible to exchange kuna cash for euro free of charge at branch offices of the Financial Agency (hereinafter referred to as 'Fina') and Hrvatska pošta d.d. (Croatian post) in the first six months (after the euro adoption).

The Croatian National Bank will exchange kuna banknotes for euro for an unlimited period of time, while coins will be exchanged for up to three years following the introduction of the euro. After the period during which banks, Fina and Hrvatska pošta d.d. cash exchange service expires, citizens will be able to exchange their cash exclusively at the CNB. The central bank will provide the service free of charge. It will exchange banknotes for an unlimited period of time, and coins for up to three years from the euro introduction. Despite allowing such long periods of time for the exchange, it is expected that the kuna cash changeover will be particularly intensive in the first two weeks after the introduction of the euro.

The conversion of kuna assets in bank accounts on the date of the introduction of the euro will be instantaneous. All kuna assets in current, giro and savings accounts with domestic banks will be changed over to euro free of charge on the date of introducing the euro. In contrast to cash, the exchange of which is a time-consuming and logistically challenging task, the money held in bank accounts will be converted into euro quickly and easily with no need for a transitional period. This is why in the months leading up to the introduction of the euro citizens will be encouraged to deposit as much cash as possible to their bank accounts. Since all kuna assets in bank accounts will be converted to euro on the date of the introduction of the euro, from that day on all cashless payment transactions will be executed only in euro.

As of the date of the introduction of the euro all kuna loans and loans indexed to the euro will be considered as loans in euro. The introduction of the euro will not necessarily lead to amendments to existing loan agreements, regardless whether it is the case of kuna loans or loans indexed to the euro because the issue of their conversion will be regulated by the act governing the introduction of the euro in the Republic of Croatia (hereinafter referred to as 'Euro Act'). In particular, this act will lay down that loan agreements remain in force and that amounts in these agreements expressed in kuna will be considered as amounts in euro, whereby these amounts will be converted at the fixed conversion rate free of charge. Where the loan interest rate is fixed, it will continue to be applied after the introduction of the euro. If, on the other hand, a loan was agreed with a variable interest rate linked to a certain parameter, pursuant to the Euro Act this parameter will be modified, where necessary, as regulated by the Euro Act. It will not be permitted for the financial position of debtors to become worse in the process. Banks will notify their clients of upcoming changes a few weeks prior to the official euro changeover date.

The first two weeks after the introduction of the euro, both currencies, the kuna and the euro, will be in circulation. After that period, the euro will be the sole legal tender. In order to ensure the smooth changeover to the new currency, the kuna and the euro will both circulate together as legal tender during a short transitional period. In other words, in the first two weeks after the introduction of the euro citizens will be able to pay for their purchases in both currencies. On the other hand, retailers will be expected to give change exclusively in euro. This implies that retailers will exchange a portion of the overall kuna cash in circulation to euro. A rule will be laid down under which retailers will not be obliged to accept more than 50 coins per one transaction with a buyer. After the two weeks following the introduction of the euro have expired, the euro will remain the sole legal tender in the Republic of Croatia.

The competent authorities will undertake a series of measures to protect consumers from unjustified price increases and incorrect price conversion. Opinion polling showed that Croatian citizens fear that the introduction of the euro will lead to a

strong one-off price increase. However, experiences of countries that have already introduced the euro proved such fears to be unfounded, especially if competent authorities undertake adequate measures aimed at protecting consumers.

The obligation of dual display of prices is a key measure for the prevention of unjustified price increases and incorrect price conversion. The introduction of a new currency may temporarily make price comparison difficult, which some retailers might try to use to increase their profit at the expense of consumers. Aiming to prevent such practices, the Government of the Republic of Croatia will prescribe the obligation of dual display of prices by adopting the Euro Act and amending other relevant legal acts, which will remain in force in the period starting from 30 days from the EU Council decision on the introduction of the euro in Croatia until 12 months after the date of the euro introduction. The obligation of dual display of prices will make it easier to identify retailers or service providers who have increased prices without justification or have incorrectly converted them to euros. It will be possible to report cases of unjustified price increases or of incorrect price conversion via the official website dedicated to the introduction of the euro (www.euro.hr) and other channels, of which the general public will be notified in a timely manner.

1 INTRODUCTION

By signing the Treaty Concerning the Accession of the Republic of Croatia to the European Union, the Republic of Croatia became a party to the Treaty on the European Union and to the Treaty on the Functioning of the European Union, as well as to the Treaty establishing the European Atomic Energy Community, which means that Croatia too became subject to the provisions of the EU Treaties. Given that the establishment of an economic and monetary union whose currency is the euro is laid down in the Treaty on European Union of 1992 (Article 3 of the Consolidated version of the Treaty), in its Accession Treaty Croatia undertook to introduce the euro after meeting the prescribed conditions and to apply other provisions specific to Member States whose currency is the euro. This applies to all Member States that have joined the EU after signing the Treaty on the European Union.

In October 2017, the Government of the Republic of Croatia and the Croatian National Bank (hereinafter referred to as 'CNB') published the Strategy for the Adoption of the Euro in the Republic of Croatia (hereinafter referred to as 'Eurostrategy'). This document, among other things, introduced a detailed analysis of economic costs and benefits of the euro adoption, which showed that in the case of the Republic of Croatia (hereinafter referred to as 'Croatia') the advantages would significantly outweigh the drawbacks. The Eurostrategy established that thanks to balanced economic growth and fiscal adjustment Croatia today meets all of the formal criteria for the introduction of the euro except for the one concerning the participation in the Exchange Rate Mechanism II for at least two years (hereinafter referred to as 'ERM II'). The Government of the Republic of Croatia is committed to a prudent economic policy aimed at strengthening the resilience of the Croatian economy, making it ready for future participation in the monetary union.

Prior to its official adoption by the Government of the Republic of Croatia, the Eurostrategy was subject to public consultations and was presented to the wider public through a series of conferences and public appearances of the Government and CNB officials.¹ The purpose of these activities was to inform citizens and entrepreneurs on the euro adoption process and its possible impact on the Croatian economy. A vast majority of representatives of the academic and business community expressed their support to the efforts of the Croatian Government and the CNB relating to the introduction of the euro. In addition, surveys show that around half of Croatian citizens support the plan to

¹ The Government officially adopted the Eurostrategy at its session in May 2018 after the completion of public consultation proceedings.

introduce the euro, while as many as 80% expect Croatia to introduce the euro in the next decade.

This document, which builds on the Eurostrategy, provides an overview of all major activities that stakeholders from both the private and the public sector will undertake in the upcoming period as part of the preparations for the introduction of the euro. Among other things, it explains the procedure of procurement and distribution of euro banknotes and coins, describes the necessary legislative adjustments, defines rules regarding the conversion of prices and other monetary values and explains the cash changeover procedure. Considering the fear among the citizens that the introduction of the euro will lead to an increase in prices and deterioration of the standard of living, great attention is awarded to measures to be employed in consumer protection. The document lists and explains the activities that enterprises and other legal persons providing services, as well as natural persons that conduct their business independently or craftsmen (hereinafter: companies), will have to undertake in the context of the introduction of the euro. Finally, this document outlines the key principles of the information campaign, which will be set out in more detail in a separate document – *Communication Strategy for the Introduction of the Euro in the Republic of Croatia*. The purpose of the campaign is to raise citizens' awareness of the fixed conversion rate and its application when converting monetary values, of the manner of the changeover from the kuna to the euro, the visual and security features of euro banknotes and coins, consumer protection measures and other important issues pertaining to the introduction of the euro.

The document is structured as follows: the key terms and the euro introduction process are explained in the second chapter. The third chapter provides an overview of the legal framework at the level of the European Union (hereinafter referred to as 'EU') which governs the issue of the use of the euro as a common currency and describes the adjustments necessary to the national legislation to cater for the introduction of the euro. The fourth chapter explains the roles of main stakeholders in the euro introduction process, while the fifth describes measures that relevant authorities will apply as protection against unjustified price increases and incorrect price conversion.² The sixth chapter gives a detailed description of the conversion of kuna assets into euro and the last, the seventh chapter, outlines the main elements of the information campaign.

² An unjustified price increase implies a situation when in the course of introduction of the euro a retailer or service provider increases the price of a product or service in an attempt to increase its profit margin and thus takes advantage of the temporarily diminished ability of buyers to objectively evaluate prices in the new currency. Incorrect price conversion, on the other hand, refers to situations in which a retailer converts prices from a national currency into euro by applying an incorrect conversion rate or disregarding the prescribed rounding rules.

2 KEY TERMS AND THE TIME SCHEDULE OF THE CURRENCY CHANGE OVER PROCESS

2.1 Key terms

Conversion

Conversion denotes a process which includes the physical exchange of kuna cash for the euro and the conversion of monetary values (e.g. retail prices, loan and deposit amounts, units in pension and investment funds, securities prices) from the kuna to the euro.

Fixed conversion rate

Some six months before Croatia introduces the euro³, the EU Council, at the recommendation of the European Commission and after consulting the European Central Bank (hereinafter referred to as 'ECB'), will adopt a decision on the introduction of the euro setting an irrevocable conversion rate between the Croatian kuna and the euro (hereinafter referred to as 'fixed conversion rate'). The fixed conversion rate shall have a total of five decimal places. The conversion of the monetary values from the kuna to the euro will be performed by applying the full numerical expression of the fixed conversion rate, i.e. using all five decimals⁴ and then rounding the obtained amount to two decimal places in accordance with common practice. The conversion of prices and other monetary values at an exchange rate other than the fixed conversion rate shall not be permitted.

³ The practice thus far was for the EU Council to set the irrevocable conversion rate between the national currency and the euro by adopting a regulation some six months before the Member State in question introduces the euro. However, the EU Council may adopt this decision even later, for instance two or three months prior to the euro introduction date. Under such circumstances, the implementation of other activities such as the minting of coins, the frontloading of euro cash to banks and the obligation of dual display of prices would start a little later than usual.

⁴ The conversion of prices and other monetary values will be performed using exclusively the fixed conversion rate expressed in direct quotation in its full numerical value. The conversion using the inverse fixed conversion rate (indirect quotation) will not be permitted.

The frontloading of euro cash to banks and sub-frontloading of enterprises

Four months before the date of the introduction of the euro, the CNB will start frontloading euro banknotes to commercial banks⁵ (hereinafter referred to as 'banks'), while the frontloading of coins will begin three months before the introduction of the euro at the earliest. The frontloading of cash to banks is necessary in order for banks to be able to exchange currency for citizens and enterprises in the necessary volume as of the date of the euro introduction. Banks will be allowed to supply some enterprises with euro cash even before the date of the introduction of the euro within the process of sub-frontloading. The sub-frontloading of enterprises with euro cash, especially retailers, is necessary to enable them to give change to their clients only in euro as of the day of the introduction of the euro, in accordance with regulatory provisions. A month before the official euro changeover citizens will be able to obtain kits of euro and cent coins in banks and branch offices of Fina and Hrvatska pošta d.d.

Cash changeover

Banks will execute the bulk of cash changeover transactions for citizens and enterprises. In the first six months from the date of the introduction of the euro, banks, Fina and Hrvatska pošta d.d. will exchange kuna cash in all their branch offices free of charge, and in the six months thereafter the service will be provided only by banks, which will be allowed to charge a handling fee. After a year from the date of the introduction of the euro, banks will cease to provide the changeover service. The outstanding banknotes and coins will be exchangeable exclusively at the CNB, free of charge. Banknotes will be accepted for exchange without a time limit, while coins will be exchanged for three years from the date of the introduction of the euro.

Conversion of loans and deposits

All kuna assets in current, giro and savings accounts with banks will be converted to euro as at the date of the euro introduction at the fixed conversion rate. The conversion of assets at accounts with banks from the kuna to the euro is logistically much easier than the physical exchange of banknotes and coins so no transitional period will be required in this segment. As of the date of the introduction of the euro all loans denominated in kuna and loans indexed to the euro will be considered loans in euro and all amounts expressed in kuna (in kuna loans) will be converted to euro applying the

⁵ Commercial banks are credit institutions authorised by the CNB to provide banking services in the territory of the Republic of Croatia.

fixed conversion rate. The interest rate for loans with fixed interest rates will not change with the introduction of the euro. As for loans carrying a variable interest rate, their parameters will be modified, where necessary, as at the date of introduction of the euro, which will be regulated by the Euro Act. It will not be permitted for the financial position of debtors to be made less favourable, and the costs associated with possible changes to loan agreements will not be borne by bank clients but by banks themselves (see 6.2 *Conversion of cash, deposits and loans*).

Dual circulation period

The first two weeks starting from the date of the introduction of the euro will be the dual circulation period of both kuna and euro cash. This means that during this transitional period citizens will be allowed to make cash payments in both currencies. On the other hand, retailers and other enterprises will give change to citizens exclusively in euro, unless this is impossible for practical reasons. Enterprises will thus exchange kuna into euro in their transactions with consumers, thus providing citizens with an additional cash changeover channel. After the expiry of these first two weeks the euro will become the only legal tender in Croatia.

Consumer protection

Some enterprises might try to use the introduction of the euro to increase prices. The Government of the Republic of Croatia will therefore award great attention to consumer protection measures. The dual display of prices will play a key role. Namely, in the period starting from 30 days from the Council's decision to introduce the euro in Croatia until 12 months after the introduction of the euro (the period of dual display of prices) companies will be obliged to display prices in both currencies. The competent authorities will strictly monitor compliance with this rule and act in accordance with their competences. Consumers will play an important role in the monitoring of compliance with the rules on the compulsory dual display of prices, as well as their correct conversion, by reporting irregularities to competent authorities. After assessing a report and its merits the name of a retailer or service provider who increased prices without justification or incorrectly converted them into the new currency will be made public (meaning blacklisted). In addition to the official website www.euro.hr, these lists will be publicly available through other channels of information, for instance paid advertisements in daily newspapers and on the internet.

Efficiency and information dissemination

The Government of the Republic of Croatia and the CNB will undertake numerous activities to make the changeover process from the kuna to the euro efficient and all

participants in the process, especially citizens, provided with timely and adequate information. With this aim, some of the preparatory activities will start to be implemented already several years before the designated date of the introduction of the euro. This for instance, includes the selection of the designs of the obverse sides of the coins, the planning of initial production of euro and cent coins, the planning of the procurement of initial euro banknote quantities, the drafting of regulatory amendments and the information campaign on the introduction of the euro. Special attention in the campaign will be awarded to informing citizens on the manner of conversion of salaries, pensions, kuna loans and deposits and measures by which the government intends to protect them from unjustified price increases and incorrect price conversion.

2.2 Time schedule of the currency changeover process

Preparation period

Timeline	Activity
Approximately six months prior to the introduction of the euro.	<ul style="list-style-type: none"> • The EU Council decides that Croatia has met the necessary conditions for the introduction of the euro, and sets the exchange rate for the conversion of the kuna to the euro; the decision is usually adopted in July, i.e. nearly six months prior to the introduction of the euro. • The start of the public campaign, inviting citizens to deposit their surplus cash to their kuna bank accounts, explaining that there is no need to convert the kuna into the euro prior to the official date of the introduction of the euro.
30 days after the EU Council confirms that Croatia has met all the criteria for the introduction of the euro (approximately five months prior to the introduction of the euro).	<ul style="list-style-type: none"> • The beginning of the period of the compulsory dual display of prices.
Four months prior to the introduction of the euro.	<ul style="list-style-type: none"> • The CNB starts frontloading euro banknotes to banks.
Three months prior to the introduction of the euro (at the earliest).	<ul style="list-style-type: none"> • The CNB starts frontloading euro and cent coins to banks.
A month prior to the introduction of the euro.	<ul style="list-style-type: none"> • Banks start sub-frontloading⁶ euro banknotes and coins to enterprises, Fina and Hrvatska pošta d.d. • The sale of euro and cent coin sets to citizens at banks and branch offices of Fina and Hrvatska pošta d.d. begins.

⁶ Sub-frontloading is a term used in the ECB legal acts to denote a process in which banks in the period immediately prior to the introduction of the euro supply enterprises with euro cash.

Dual circulation period

Timeline	Activity
Euro introduction date	<ul style="list-style-type: none"> The physical exchange of kuna banknotes and coins to euros at banks and branch offices of Fina and Hrvatska pošta d.d. begins, free of charge. The two-week dual circulation period begins, during which both the kuna and the euro will have the status of legal tender. Kuna assets in bank accounts are fully converted to euro. All loans denominated in kuna are considered loans in euro.
Two weeks after the euro introduction date	<ul style="list-style-type: none"> The dual circulation period ends; the euro becomes the sole legal tender and official currency in the Republic of Croatia.

The period after the end of the dual circulation period

Timeline	Activity
Six months after the introduction of the euro.	<ul style="list-style-type: none"> Fina and Hrvatska pošta d.d. stop providing the cash changeover service. The period during which citizens can exchange cash at banks free of charge ends and the six-month period during which banks may charge a fee for exchanging cash begins.
Twelve months after the introduction of the euro.	<ul style="list-style-type: none"> Banks stop providing the cash changeover service altogether. Cash changeover is only possible at the CNB, free of charge, for banknotes without limitation and for coins for up to three years from the date of the introduction of the euro. The period of the compulsory dual display of prices ends.

3 LEGAL BASIS

3.1 Legislative framework of the European Union

By signing the Accession Treaty Croatia committed to adopt the euro after meeting the prescribed conditions and other provisions relating to Member States using the common currency. The use of the euro as the common currency of the Economic and Monetary Union (hereinafter referred to as 'EMU') is regulated by three Council Regulations: Council Regulation (EC) No 1103/97 of 17 June 1997 on certain provisions relating to the introduction of the euro⁷, Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro⁸ and Council Regulation (EC) No 2866/98 of 31 December 1998 on the conversion rates between the euro and the currencies of the Member States adopting the euro⁹. These regulations apply directly in all Member States of the monetary union (hereinafter referred to as 'euro area countries'), with the last two being amended every time a new Member State adopts the euro. This means that Council Regulation (EC) No 974/98 is amended so as to include a new Member State in the list of euro area countries, while Council Regulation (EC) No 2866/98 is amended by being supplemented with the conversion rate set between the euro and the currency of the Member State adopting the euro.

These legal acts, except for prescribing that the euro is the official currency of all EMU Member States, also lay down the main principles to be complied with by Member States in the process of the changeover to the euro. One of them is the principle of the continuity of contracts and other legal instruments. Under this principle, the introduction of the euro must not affect the validity of existing contracts involving amounts in the national currency. In other words, the changeover from the national currency to the euro gives no right to any of the contractual parties to unilaterally terminate a valid contract or change individual contractual provisions. For instance, a loan agreement with a fixed interest rate and the principal denominated in the national currency will remain in force after the date of the introduction of the euro. The interest rate will remain unchanged and the amount of the principal, denominated in the national currency, will be considered amount denominated in the euro, converted at the fixed conversion rate. Loan agreements contracted with variable interest rates will also remain in force but instead of being linked to a parameter in the national currency, after the

⁷ OJ L 162, 19.6.1997, p. 1 – 3.

⁸ OJ L 139, 11.5.1998, p. 1 – 5.

⁹ OJ L 359, 31.12.1998, p. 1 – 2.

introduction of the euro interest rates will be linked to the appropriate euro parameter (see 6.2. *Conversion of cash, loans and deposits*).

The manner of conversion of the monetary values from the national currency into the euro is clearly defined in the above-mentioned Council Regulations. Namely, the amounts in the national currency (e.g. prices in retail stores) will be converted into amounts in euro at the fixed conversion rate in its full numerical expression, including all five decimal places included in the exchange rate. In case of Croatia this would mean that after the kuna amount is converted into euro, the euro amount will be rounded to the nearest cent, or to two decimal places to be exact. The conversion of prices or other monetary values by using the truncated fixed conversion rate is not permitted.

In addition to the key provisions prescribing the rules for the introduction of the euro in Member States, there is a series of other legal acts governing the functioning of the monetary union, the majority relating to the protection of the common currency, the euro, against counterfeiting. The regulations governing the protection of the euro against counterfeiting are already applied in Croatia. In addition, although non-binding, Commission Recommendation of 10 January 2008 on measures to facilitate future changeovers to the euro¹⁰ is very important. The measures provided for in the Recommendation, such as the dual display of prices, have been successfully implemented in other EU Member States at the time of their changeovers to the euro.

Finally, after the global financial crisis an additional set of legal acts was imbedded in EU legislation and is applied directly in euro area countries. Those are regulations governing the establishment and the functioning of the banking union, which for the time being include a common supervisory framework and a common framework for bank resolution. All countries of the euro area are at the same time members of the banking union. The non-euro area Member States can also participate in the common supervisory and bank resolution frameworks, by establishing close cooperation with the ECB. Croatia joined the Exchange Rate Mechanism II on 10 July 2020. At the same time, close cooperation was established between the Croatian National Bank and the ECB.

3.2 The euro in national legislation

The adoption of the euro will require an adjustment of Croatia's regulatory framework in order to ensure legal certainty and create the preconditions for smooth and efficient functioning of the economy. Experiences of countries that have adopted the euro indicate

¹⁰ Commission Recommendation of 10 January 2008 on measures to facilitate future changeovers to the euro (notified under document number C(2007) 6912) (OJ L 23, 26.1.2008, p. 30-32)

that, as a rule, in the period prior to the introduction of the euro, an act governing the general issues relating to the euro introduction is adopted, and that certain laws and other regulations in which reference is made to the national currency are amended.

Accordingly, in the period prior to the introduction of the euro, the Government of the Republic of Croatia will propose to the Croatian Parliament to adopt an act governing the introduction of the euro in Croatia. This act will transpose the main features of the process set out by the EU Council into Croatian legislation, determining the date of the introduction of the euro and setting the conversion rate between the kuna and the euro. It will prescribe the rule on the conversion of prices and other monetary values, determine the duration of the transitional period during which dual circulation of the kuna and the euro will be possible, as well as lay down the obligation of dual display of prices and the manner of monitoring its implementation. The Euro Act will also contain a provision on the continuity of contracts and other legal instruments.

In addition to adopting the Euro Act, for the purpose of full adjustment of the Croatian legislation it will be necessary to amend a number of other laws and subordinate legislation containing provisions with reference to the kuna. Adjustments will thus be necessary to regulations governing the payment system, the tax system, the capital market, the financial system and trade law. The legal framework in the segment of monetary policy will be aligned with the ECB legal acts because, starting from the date of the introduction of the euro, the CNB, as part of the Eurosystem¹¹, will participate in formulating and implementing the euro area's single monetary policy. Since amendments to the legal framework in the area of bank supervision and resolution were the precondition for establishing close cooperation with the ECB and joining ERM II, this step has already been completed.

In contrast, regulations with provisions referenced to the kuna only to a small extent, will not have to be amended in the period up to the introduction of the euro because the Euro Act will stipulate that the amounts expressed in kuna will be considered amounts in euro, converted at the fixed conversion rate. The provisions of these regulations will be adjusted when the particular regulation is amended for some other purpose.

To ensure transparency and easier monitoring of the entire process, state administration bodies, the CNB, the Croatian Financial Services Supervisory Agency (hereinafter referred to as 'HANFA') and other bodies with public powers shall be obliged to submit a list of existing laws and subordinate legislation pertaining to the areas of their competence and containing provisions referencing the kuna to the Ministry of Finance.

¹¹ The Eurosystem consists of the ECB and the national central banks of the euro area.

4 TASKS AND RESPONSIBILITIES OF INDIVIDUAL STAKEHOLDERS

4.1 Coordination of preparatory activities for the introduction of the euro

The National Council for the Introduction of the Euro

Several coordination bodies will be in charge of planning, monitoring and coordinating the implementation of activities in the process of euro introduction. The National Council for the Introduction of the Euro as Official Currency in the Republic of Croatia (hereinafter referred to as 'National Council'), established in May 2018 and chaired by the Prime Minister of the Republic of Croatia, will play the central role and also include the Governor of the CNB, the relevant ministers and one representative from the Croatian Employers' Association (hereinafter referred to as 'CEA') and trade union associations respectively. For this purpose, the National Council will establish a Steering Committee and coordination committees at the proposal of the leading institutions, as well as appoint the chief coordinator of each committee.

The Steering Committee

The Steering Committee, to be established by the National Council, will be directly subordinated to it and shall have the task of overseeing and coordinating the work of coordination committees at the operational level. It will consist of three members, the Chief Coordinator from the Prime Minister's Office and one representative from the Ministry of Finance and from the CNB. The Steering Committee will inform the National Council on the progress made in regular intervals and, where necessary, ask the National Council for guidance in relation to the preparation and the implementation of activities in specific areas.

Figure 1 Coordination bodies in the euro introduction process



Coordination Committees

The National Council will establish six coordination committees. These committees will include the representatives of institutions competent for the implementation of activities within a committee’s remit. Each coordination committee will have a head institution which will propose the establishment of the coordination committee, the appointment of the chief coordinator and be in charge of providing administrative support to the committee. Each coordination committee will coordinate the preparation of an action plan and the implementation of the activities envisaged under this plan within its area of competence with the aim of successfully introducing the euro. Coordination committees will regularly inform the Steering Committee of their work, which will coordinate their activities at the operational level on behalf of the National Council.

The Coordination Committee for Cash Changeover will be in charge of establishing cooperation among the main participants in the process of supplying the economy and the citizens with euro banknotes and coins and withdrawing the kuna from circulation. The CNB, as the leading institution in this area, will propose the establishment of the committee and the appointment of the chief coordinator, and will provide administrative support to the Committee. In addition to the CNB, the work of this Committee will be performed by banks, the Ministry of the Interior, the Ministry of Finance, the Croatian Chamber of Economy (hereinafter referred to as ‘CCE’), Hrvatska pošta d.d. and Fina. Should the need arise other institutions and external experts may be included in the work of the Committee. The CNB will organise the procurement of euro banknotes and the minting of coins and supply them to banks. In its work, the Committee will cooperate intensively with the ECB. Namely, after it becomes evident that Croatia will receive a positive assessment by the EU Council regarding its fulfilment of criteria for the

introduction of the euro the communication and cooperation between the CNB and the ECB will intensify with an aim to organise, as efficiently as possible, the procurement of euro banknotes, the frontloading of cash to banks and the adjustment of payment systems.

The Coordination Committee for Legislative Adjustments will supervise activities related to the alignment of the national legislation for the introduction of the new currency. The Ministry of Finance as the leading institution in the area of legislative adjustment will propose the establishment of this Committee, the appointment of the chief coordinator and will provide administrative support to the Committee. Other ministries will also participate in the work of the Committee, including the Ministry of Justice and Public Administration, the Ministry of Economy and Sustainable Development, as well as the CNB, HANFA, banks, the State Inspectorate and the Government Office for Legislation. Should the need arise other institutions and external experts will also participate in the work of the Committee. Each of these institutions will participate in drafting amendments to laws and subordinate legislation within its area of competence. The Coordination Committee will need to ensure that all draft legislative amendments pertaining to the preparations for the introduction of the euro be submitted to the Government of the Republic of Croatia five months prior to the euro introduction date at the latest.

The Coordination Committee for the Adjustment of the General Government should, among other things, enable smooth transition of public finance and government statistics to the euro and ensure that all bodies included in the general government sector make timely adjustments to their IT and accounting systems to be prepared for operation in a new currency. The Ministry of Finance will propose the establishment of this Coordination Committee, as well as the appointment of the chief coordinator and will provide administrative support to the Committee. Considering the importance of consumer protection measures in the euro introduction process, it should be ensured that all bodies with public powers, including local and regional self-government units and enterprises owned by them, correctly convert the prices of their services from the kuna into the euro, as well as comply with the obligation of dual display of prices within the prescribed period. In addition to the representatives of the Ministry of Finance, this Committee will include in its work the representatives of the Ministry of Justice and Public Administration, the Ministry of the Interior, Ministry of Physical Planning, Construction and State Assets, Ministry of Regional Development and EU Funds, the Croatian Bureau of Statistics (hereinafter referred as 'CBS'), Fina and the CNB. Should the need arise, the Committee may include other institutions and external experts in its work.

The Coordination Committee for the Adjustment of the Financial System will oversee the implementation of adjustments necessary for the successful transition of the financial system to the euro, which among other things, includes the preparation of

financial institutions to implement rules concerning the dual display of prices, the adjustment of their IT systems to the introduction of the euro, the conversion of the value of financial instruments (deposits, loans, shares, bonds, units in investment and pension funds) from the kuna to the euro and activities in the segment of preventing money laundering and terrorist financing. The Ministry of Finance will propose the establishment of this Coordination Committee, as well as the appointment of the chief coordinator and will provide administrative support to the Committee. In addition to the representatives of the Ministry of Finance, the Committee will include representatives of the CNB, HANFA, Fina, the Central Depository and Clearing Company (hereinafter referred to as 'CDCC'), CCE, the Croatian Banking Association (hereinafter referred to as 'CBA'), the Croatian Insurance Bureau, the Zagreb Stock Exchange, the associations of Croatian pension fund management companies and pension insurance companies, investment fund management companies and brokers. Where necessary, other institutions and external experts will be included in the work of the Committee.

The Coordination Committee for the Adjustment of the Economy and Consumer Protection will be dealing with the preparation of the non-financial sector of the economy for the introduction of the new currency. The Ministry of Economy and Sustainable Development as the leading institution in the area will propose the establishment of this Coordination Committee, as well as the appointment of the chief coordinator and will provide administrative support to the Committee. The government and public bodies dealing with consumer protection will be included in the work of the Committee, as well as the CNB, the CBS, HANFA and representatives of banks and business associations. If necessary, the Committee will also include other institutions and external experts in its work. The task of this Committee is to ensure that companies are timely informed of the changes that await them in the euro introduction process and to stimulate them to ethical conduct in connection with the price conversion. As for the latter, an ethical code for the introduction of the euro will be prepared. The transition to dual display of prices is one of the major changes awaiting enterprises and it will require the printing of new price lists and the reprogramming of cash registers in order to be able to issue receipts in both currencies during the period of dual display of prices. In addition, companies will need to ensure software updates of their IT and accounting systems in order for them to be ready to process financial data in the new currency as of the date of the introduction of the euro. Within this Committee, the Ministry of Economy and Sustainable Development, in cooperation with business associations (CCE, CEA, the Croatian Chamber of Trades and Crafts, hereinafter referred to as 'HOK'), will invite enterprises to join on a voluntary basis the campaign promoting correct conversion of prices. The Ministry of Economy and Sustainable Development will provide for a detailed monitoring of prices and ethical conduct of enterprises in connection to the conversion of prices and regularly inform the public of their findings.

The Coordination Committee for Communication will organise a comprehensive information campaign aimed at familiarising the public with all facts relevant to the process of the introduction of the euro. The most important information to be communicated to citizens and enterprises during the campaign are the exact date of euro introduction, the fixed conversion rate, the information on when and where kuna banknotes and coins can be exchanged for euro, on denominations of the euro and key features of euro banknotes and coins; information on what will happen to loans and deposits denominated in the kuna, and on measures to be undertaken to prevent price increases. The information campaign will use all channels of communication in order to reach even the most vulnerable groups, such as pensioners, persons living in isolated areas and persons with disabilities. The Prime Minister's Office will have the leading role in this Committee, with its representative serving as the chief coordinator and the Office providing administrative support to the Committee. In addition to the representatives of the Prime Minister's Office, the Committee will include representatives of the CNB, the Ministry of Finance, the Ministry of Economy and Sustainable Development, of the State Inspectorate, banks, the CCE, CEA, HOK, Fina, representatives of local and regional self-government units and representatives of an external public relations agency selected via a public tender. If necessary, the Committee will also include other institutions and external experts in its work. In the organisation of communication activities, the Committee will cooperate with the European Commission and the ECB which will provide the competent authorities with leaflets and audio-visual materials on the euro and participate in the organisation of conferences and other informative activities. In addition, the European Commission will bear a portion of the costs for individual activities undertaken within the information campaign.

4.2 Croatian National Bank

4.2.1 Organisation of the changeover

The principal body in charge of activities linked to the procurement and the production of euro banknotes and coins, the supply of banks with euro cash, the withdrawal of kuna from circulation and its disposal will be the CNB. The supply of cash will be conducted pursuant to frontloading agreements concluded by the CNB with each bank individually. In exchange for cash received in the frontloading, banks will have to submit appropriate collateral (*see 6.1 Frontloading of euro banknotes and coins to banks and sub-frontloading of euro banknotes and coins to enterprises, Fina and Hrvatska pošta d.d.*). The frontloading of euro cash to banks is a precondition for the banks to be able to exchange the required volumes of cash for citizens and enterprises as of the date of the introduction of the euro. Frontloading is also important for the banks to be able to sub-frontload cash to their clients from the corporate sector in a timely

manner, especially retailers, who, starting from the date of the introduction of the euro will be obliged to give change only in euro in their transactions with customers.

The cooperation among the CNB, the banks and other participants in the cash cycle will also be very intensive in the process of withdrawal of kuna banknotes and coins from circulation. The withdrawal of kuna from circulation will start months prior to the date of the introduction of the euro because it is expected that citizens will deposit some of their cash at banks prior to the official changeover to euro. This will be also made easier by a public campaign set to be launched about six months prior to the official adoption of the euro, and which will strive to encourage citizens to deposit their surplus kuna cash to their kuna banks accounts and thus contribute to the speedy and efficient changeover to the euro. Citizens will also be informed that there is no need to convert kunas into euros prior to the date of the introduction of the euro because they will incur unnecessary costs in doing so. Namely, although the fixed conversion rate will be known approximately six months prior to the date of the introduction of the euro, in the period leading up to the official changeover to the euro, banks will not be obliged to apply this rate, but rather, they will provide the currency exchange service, as usual, at the buying or selling rate set by each bank individually. Therefore, should citizens want to exchange kunas to euros prior to the date of the introduction of the euro, they will have to bear the cost equal to the difference between the selling exchange rate of banks (or authorised exchange offices) and the fixed conversion rate. Starting from the euro introduction date the conversion will be carried out at a fixed conversion rate free of charge for both cash and deposits. Therefore, citizens will be advised to wait for the official introduction of the euro and thus avoid unnecessary transaction costs.¹²

The CNB will exchange kunas to euros free of charge for citizens, but only after banks, Fina and Hrvatska pošta d.d. have stopped providing this service, i.e. after the one-year-period following the euro introduction has expired. The final deadline for the exchange of banknotes with the CNB will not be set, which means that citizens will be able to make use of it indefinitely. However, the ultimate deadline for the exchange of coins with the CNB will be three years from the date of the introduction of the euro.

The reorganisation of the cashless payment transactions infrastructure accounts for an important part of the central bank's preparations for the introduction of the euro. The CNB has already set up the infrastructure for the clearing of large payments in euro. Namely, in February 2016, the CNB joined TARGET2, which is used by the central and commercial banks in the euro area for the settlement of payment transactions in euro.

¹² As of the date of the introduction of the euro, authorised exchange offices will no longer be authorised to exchange kunas to euros and vice versa because the euro will become the domestic currency. Exchange offices will trade exclusively in foreign means of payment, such as the US dollar and the Swiss franc.

To be more precise, the national component of the system – TARGET2-HR – was set up. When the euro is introduced as the national currency, kuna payment systems, the Croatian Large Value Payment System (hereinafter referred to as ‘CLVPS’) and the National Clearing System (hereinafter referred to as ‘NCS’) will stop operating, leaving only the payment systems in euro (TARGET2-HR, EuroNCS and NCSInst¹³) in operation. All monetary assets in accounts of participants in the CLVPS as at the date of the introduction of the euro will be converted to the euro at the fixed conversion rate, and transferred to the participants' accounts in TARGET2-HR payment system. In addition, payments in euro were set up in accordance with the SEPA (*Single Euro Payments Area*) standards for credit transfers in euro, which means that all the conditions for the execution of payments in euro have been met.

4.2.2 Drafting proposals of legislative changes

The introduction of the euro as the official currency will bring changes in several areas under the central bank's competence. The monetary policy framework will be fully aligned with the ECB's monetary policy framework and cash and cashless payment transactions will migrate fully to the new systems set up for transactions in the new currency (TARGET2-HR, EuroNKS and NKSInst). To render these changes possible, it will be necessary to amend several laws and subordinate regulations, while some subordinate legislation will cease to be in force.

In the period prior to Croatia joining ERM II, the Act on the Croatian National Bank, the Credit Institutions Act and the Act on the Resolution of Credit Institutions and Investment Firms were amended in order for the responsibility over bank supervision in Croatia and their resolution to be distributed in accordance with the rules of the banking union. The subordinate legislation currently governing monetary policy implementation in Croatia will cease to be valid as at the date of the introduction of the euro because the CNB will take over the legal framework for the implementation of the Eurosystem's single monetary policy. The CNB will define rules for the participation of domestic banks in the Eurosystem monetary operations. Considering that the monetary policy instruments available to the CNB are very similar to those of the Eurosystem, the transition to the Eurosystem's monetary operations will not be a significant change for Croatian banks. The CNB will take over the ECB's list of eligible collateral, which differs from the list of eligible collateral currently accepted by the CNB.

¹³ The NCSInst payment system clears and settles kuna transactions and will become a euro payment system on the date of the introduction of the euro.

This, among other things, means that following the introduction of the euro Croatian banks will be able to use investment grade marketable debt instruments of issuers from the European Economic Area, as well as investment grade non-marketable assets (e.g. credit claims) of borrowers from the euro area as collateral in Eurosystem monetary operations. Finally, due to significant changes in cash and cashless payment operations, in the period up to the introduction of the euro, the CNB will participate in drafting amendments to regulations in this segment.

4.3 Banks and non-bank financial institutions

4.3.1 Administrative adjustments

Banks will play the central role in the changeover process because they will exchange the majority of kuna cash for citizens and enterprises, as well as convert kuna deposits (*see under 6 Kuna to euro conversion process*). However, in addition to having to prepare logistically for the currency changeover, banks will have to make a series of other adjustments. For instance, as all other entities, they will have to display amounts in both currencies during the period of dual display of prices. This obligation will include all documents arising as a result of the client-bank relationship, such as current, giro or savings account balance reports, outstanding debt under loan agreements and receipts for transactions made in bank outlets or at ATMs.¹⁴ Besides banks, the obligation of dual display will also cover electronic money institutions, payment institutions, insurance companies, pension and investment funds and leasing and factoring companies. The compliance of banks and non-bank financial institutions with the rules on dual display of prices will require software adjustments and updating of prices both in physical and electronic form. Although the rule on dual display of prices will be applied for a year following the introduction of the euro, as of the date of the introduction of the euro all cashless transactions will be executed exclusively in euro and after the expiry of the period of dual display of prices all cash transactions as well.

In the weeks up to the introduction of the euro, banks, insurance companies, pension and investment fund management companies and leasing and factoring companies will have to inform their clients about the conversion of their claims and liabilities into the new currency. Banks will thus have to notify their clients that their kuna assets in current, giro and savings accounts will be fully converted to the euro on the date of the introduction of the euro. It is also very important for them to notify their clients in a timely manner that

¹⁴ It will not be necessary to show transactions in bank accounts in both currencies, because citizens will be able to monitor their spending through receipts issued by retailers and other service providers on which the obligation of dual display of prices will be fulfilled.

existing agreements on kuna loans and loans indexed to the euro will continue to be valid even after the introduction of the euro but that payments arising from these loans will be executed in euro.¹⁵ Should some loan agreements need to be amended, the related costs will not be borne by bank clients but by banks themselves. As for kuna loans in relation to which the interest rate is linked to some of the parameters, banks will be obliged to inform their clients which parameter, pursuant to the Euro Act, will apply to their loans in the future (*see 6.2 Conversion of cash, deposits and loans*).

4.3.2 Logistical and infrastructural adjustments

Banks will have to prepare logistically for the participation in the cash changeover. In the frontloading process that will start four months prior to the date of the introduction of the euro, banks will receive certain quantities of euro banknotes and coins to be able to sub-frontload euro banknotes and coins to enterprises and coin sets to citizens and in order to be able, starting from the date of the introduction of the euro, to perform the cash changeover in the necessary volume. Banks will have to appropriately store the frontloaded cash and commit not to release it into circulation before the date of the introduction of the euro. Up until the date of the introduction of the euro this money will not be owned by banks but by the CNB, which means that banks will not report it on their balance sheets. They will also have to ensure the necessary storage capacities to store kuna cash received from the citizens and companies, especially in the first two weeks of the changeover.

The introduction of the euro will also require an adjustment of the ATM-network. Namely, ATMs will be adjusted so as to pay out kuna cash up until the day preceding the date of the introduction of the euro and from the date of the introduction of the euro only euro. In addition to the timely supply of ATMs with euro banknotes this could also require certain software adjustments in order to comply with the obligation of dual display of prices.

The infrastructure of the financial market will also need to be adapted. With this aim, in the period up to the introduction of the euro, preparatory activities will be undertaken for accessing the TARGET2-Securities (T2S) system, in order for the CDCC to be able to continue providing its services in accordance with market standards after the introduction of the euro in Croatia.

¹⁵ During the period of dual circulation, that is, in the first two weeks after the euro introduction date, loan repayments made in cash will also be possible in kuna cash. After the expiry of the dual circulation period loan repayments in cash will be possible only in euro.

4.4 The government sector

4.4.1 Adjustments in the area of public finances

Public finances will migrate completely to the new currency as at the date of the introduction of the euro. From that date on, all cashless payments to the budget of the central government and local and regional self-government units, as well as all cashless payments from the budget will be executed exclusively in euro. With regard to cash transactions, during the period of dual circulation, payments to the state budget will be possible both in euro and in kuna. The introduction of the euro will require a thorough preparation of the financial and information system used by the state treasury to execute transactions with budgetary users. Changes will also be necessary in the framework for government accounting, which also falls within the competence of the state treasury.

The introduction of the euro will also imply the conversion of all government liabilities denominated in kuna. It is noteworthy that in the currency structure of Croatia's public debt only one fourth is accounted for by kuna instruments without a currency clause whose principal will need to be converted to euro. The manner of the conversion of bonds and other securities to the new currency is described in chapter 6.

All reports pertaining to public finances, which relate to the period ending prior to the date of the introduction of the euro, will be compiled and published with the figures expressed in kuna. In all reports that relate to the period ending after the introduction of the euro, the figures will have to be expressed in euro. In the reports on public finances for the year of the introduction of the euro, if these reports usually contain comparable data for the previous year, the data for the year in question will be converted from the kuna to the euro for comparability purposes.

The forms to be filled in by citizens and companies in the period following the introduction of the euro, pertaining to tax and other obligations to the government, or claims on the government for the period preceding the year of the euro introduction, the amounts will have to be expressed in kuna. However, payments arising from these obligations or claims will be executed in euro, with the amounts being converted to the new currency by applying the fixed conversion rate.

4.4.2 Drafting proposals of legislative amendments

The introduction of the euro will require the adoption of the Euro Act and amendments to numerous existing laws and subordinate legislation containing provisions linked to the kuna as the official currency. The Ministry of Justice and Public Administration, the Ministry of Finance and the Ministry of Economy and Sustainable Development will be the main authors and will propose the majority of legislative amendments, while other

bodies will contribute in their preparation in accordance with their competences. The CNB will thus contribute to the preparation of legislative amendments in the segment of the payment system and banking, while HANFA will participate in the preparation of amendments related to the capital market and non-bank financial institutions.

4.4.3 Administrative adjustments

With regard to transactions with citizens, the government sector will have to comply with the obligation of dual display of prices. All amounts will have to be displayed in both currencies in all documents that public bodies issue to citizens, for instance in decisions on tax refunds and tax debt, salary slips for salaries paid out to government and public sector employees and invoices for different services provided by public sector entities. In addition to ministries and other state administration bodies the obligation of dual display of prices will have to be observed by public enterprises classified in the general government sector, such as Croatian Motorways, the Rijeka-Zagreb Motorway and the Croatian Radio and Television but also by the providers of utility services owned by local and regional self-government units. The transition to dual display of prices will require adequate adjustments in financial and IT systems of state and public authorities and changes to price lists and various forms.¹⁶

IT systems that provide support to accounting must be prepared for dual display of prices six months before the introduction of the euro at the latest. Additional adjustments will be necessary just before the introduction of the euro because financial and IT systems of public bodies will have to be adapted to the euro as the new legal means of payment. As underlined above, starting from the date of the introduction of the euro all cashless payment transactions will be executed exclusively in euro. However, when cash transactions are concerned, in their transactions with state administration bodies and public corporations, citizens will be able to use both currencies but will receive change exclusively in euro. Public enterprises that carry out cash transactions with citizens, such as Croatian Motorways, will have to be supplied with euro banknotes and coins in a timely manner. After the expiry of 12 months following the date of the introduction of the euro all price lists, forms and payment orders used by public sector entities will again be changed so that the amounts displayed are displayed exclusively in euro.

Exceptionally, prepaid cards (for example tickets for road and railroad transport) and revenue stamps that were released for sale prior to the introduction of the euro and

¹⁶ Payment orders (payment slips) will not have to include amounts in both currencies since the obligation of dual display of prices will be observed in the receipt attached to the payment order. Exceptionally, if no receipt is attached to the payment order, the amount in both currencies will be displayed in the field "payment description".

display amounts expressed in kuna, will remain valid even after the introduction of the euro without time limit, whereby the kuna amounts will be converted to euro applying the fixed conversion rate.¹⁷

4.4.4 Adjustments to official statistics

The introduction of the euro will also bring about certain changes in the official statistics of the Republic of Croatia. For instance, time series in which data are shown in kuna will be converted to euro, with the CBS, the CNB and other institutions designated as producers of official statistics deciding how far back the individual series will be converted. As of the date of the introduction of the euro new statistical data will be entered exclusively in the new reporting currency. Consequently, the institutions in charge of compiling official statistics will have to adjust a large number of reporting forms used in statistical surveys.

Except having to convert the existing data series, they will have to collect and publish data which have not been systematically monitored thus far. Namely, the European Commission and the ECB in their legal acts governing statistics lay down additional reporting requirements for euro area countries and Member States intending to adopt the euro. These requirements have to do with data compilation at a more detailed level of disaggregation and shorter submission deadlines, and in some cases require the introduction of completely new statistical surveys. All this will require challenging adjustments in many data collection systems.

4.5 The corporate sector

4.5.1 Preparations for the dual display of prices

Preparatory activities in the corporate sector will not differ much from those undertaken by public sector entities. For instance, same as public sector entities, non-financial corporations will have to comply with the obligation of dual display of prices, to be applied starting from 30 days from the EU Council's decision on the introduction of the euro in Croatia until 12 months after the date of the introduction of the euro. The obligation of dual display of prices will represent a relatively heavier burden for retailers than other enterprises because of the larger number of products they offer, implying a greater volume of price conversions. In addition to price lists displayed at

¹⁷ Revenue stamps in kuna will remain valid while stocks last.

the enterprises' premises, prices will have to be displayed in both currencies in price lists and promotional materials posted online and published in other media.

In addition, cash registers will have to be reprogrammed for dual display of prices in order to show the prices of individual products, as well as total sums, on the receipts in both currencies. However, POS devices at retailers will not need to be adapted at this point because the obligation of dual display of prices will be observed on the main receipt. Banks will update POS devices later, immediately before the introduction of the euro so that as of the date of the introduction of the euro payment transactions are executed exclusively in euro.

Retailers and other service providers will be invited to abide by the ethical code for the introduction of the euro, and will be able to participate in the campaign organised by the Ministry of Economy and Sustainable Development in cooperation with business associations.

4.5.2 Preparations for the changeover

The financial and IT systems processing financial information in kuna will have to be updated to use the euro as the official currency from the date of the introduction of the euro. Companies will bear the costs of IT and all other adjustments associated with the introduction of the euro themselves. Furthermore, they will have to ensure they are supplied with euro banknotes and coins sufficiently in advance to be able to carry out cash transactions in the new currency as from the date of the conversion. This primarily goes for retailers with large volumes of cash transactions. The pressure on retailers in the first two weeks of the euro introduction will be substantial because in this period citizens will be able to pay both in kuna and in euro, while retailers will be obliged to give change exclusively in euro, unless they are for practical reasons unable to do so. In an effort to prevent excessive pressure on retailers and banks, in the months leading up to the introduction of the euro a campaign will be launched, inviting citizens to deposit their surplus kuna cash to their accounts with banks even before the date of the introduction of the euro.

In addition, a rule will be observed pursuant to which retailers will not be obliged to accept more than 50 coins per one single payment.¹⁸

¹⁸ This limitation arises from Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro (OJ L 139, 11.5.1998, p. 1 – 5).

4.5.3 Financial reporting and taxation

When preparing financial reports for the year preceding the introduction of the euro enterprises will be obliged to report values in kuna. As from the beginning of the year in which the euro is introduced, financial reports will be compiled using the euro as the new official currency. However, in financial reports for the year in which the euro was introduced, if these reports contain data for the previous year, the data for the previous year, for comparability reasons, will be converted from the kuna to the euro at the fixed conversion rate. Forms relating to tax and other obligations payable by enterprises to the government or their claims on the government, submitted in the year in which the euro was introduced but relating to the previous year will be completed in kuna. However, decisions of tax authorities and all other decisions issued by public bodies based on these forms will display amounts both in kuna and in euro for the duration of the obligation of dual display of prices. As from the date of the introduction of the euro, all payments arising from decisions issued by the tax authority or some other decisions will be executed exclusively in euro.

5 CONSUMER PROTECTION

5.1 Price conversion rules

The manner of conversion of prices and other monetary values from the national currency into the euro is laid down in a Council Regulation from 1997.¹⁹ The prices are converted to the euro by applying the fixed conversion rate which in most cases consists of six digits.²⁰ In case of Croatia this means that the fixed conversion rate will consist of one whole number followed by five decimals. When converting prices, the fixed conversion rate should be applied in its full numerical expression. The conversion of prices using the truncated fixed conversion rate shall not be permitted. It is only after prices and other monetary values are converted from the kuna to the euro at the fixed conversion rate that they are rounded to the nearest cent, which means to two decimal places. In some cases, prices and other monetary values will be rounded to amounts lower than one cent. For instance, it is common practice for units in investment and pension funds to be expressed in more than two decimals because this way the value of the unit reflects trends in the total value of the fund's assets more precisely.

Enterprises will be encouraged not to use the price conversion process to covertly increase prices at the expense of consumers. In this context, the Ministry of Economy and Sustainable Development will, together with business associations, invite entrepreneurs to participate in the campaign promoting accurate conversion of prices and in return be allowed to use the logo signalling to consumers that they participate in the campaign and that prices are correctly converted to the euro. In addition, the Ministry of Economy and Sustainable Development will organise detailed monitoring of prices and ethical conduct of enterprises in connection with the conversion of prices to the new currency, starting prior to the beginning of the period of dual display of prices, and will notify the public of its findings. This will contribute to public understanding that the introduction of the euro does not lead to the increase in prices. The said activities will be carried out intensively up to 12 months after the introduction of the euro.

Enterprises attempting to abuse the process of the introduction of the euro to increase prices at the expense of consumers will bear the consequences, meaning that their names will be found on lists of those reported for poor business practice (the so-called black lists) which will be published at the official website (www.euro.hr) dedicated to

¹⁹ Council Regulation (EC) No 1103/97 of 17 June 1997 on certain provisions relating to the introduction of the euro.

²⁰ Exceptionally, the fixed conversion rate consists of seven digits if the first digit of the exchange rate is 0. For example, the Latvian lat was converted to the euro at the exchange rate of 0.702804.

the introduction of the euro and through other channels. In addition to the leading role of supervisory authorities (the State Inspectorate and other supervisory authorities) in the monitoring of the implementation of the obligation of dual display of prices and correct conversion, an important role will be played by consumers. Citizens will be able to file to competent authorities their complaints against retailers and service providers who they think have unjustly increased or incorrectly converted prices. The competent authority will, after establishing that a particular complaint is well founded, act against the retailer or service provider in question in accordance with the competences under the Euro Act and other special regulations and blacklist them. The existence of such lists will additionally stimulate entrepreneurs to behave ethically in the conversion process. Citizens will be invited to actively participate in the gathering of information on unjustified increase and incorrect conversion of prices and will be informed via the central webpage www.euro.hr and other information channels about the ways in which to submit their complaints.

The results of research conducted on a sample of Member States that have introduced the euro indicate that the risk of an increase in prices is relatively higher in services, especially services at catering establishments and beauty salons, accommodation and recreation services. The competent authorities will therefore award special attention to monitoring prices of these service categories.

5.2 Dual display of prices

The dual display of prices will be the key measure of consumer protection in the euro introduction process. The introduction of a new currency may temporarily make price comparison difficult, which some enterprises may attempt to use to increase their profits. Aiming to prevent this, the Government of the Republic of Croatia will introduce the obligation of dual display of prices by adopting the Euro Act. This obligation will be introduced starting from 30 calendar days after the EU Council decides that Croatia meets the necessary requirements for the introduction of the euro and sets a fixed conversion rate and will remain in force for 12 months after the date of the introduction of the euro. The dual display of prices will enable consumers to identify more easily retailers and other entrepreneurs who have unjustly increased prices or incorrectly converted them to the new currency. This obligation has proven to be very efficient in Member States which have already adopted the euro.

The three Council Regulations defining the main principles for the introduction of the euro do not impose the rule on dual display of prices on Member States. However, this

rule is strongly suggested in the 2008 Commission Recommendation.²¹ In the Recommendation, the European Commission stresses that the obligation of dual display of prices should be terminated after one year after the introduction of the euro at the latest to stimulate citizens to get fully accustomed to the new currency.

During the period of dual display of prices, prices in retail outlets will be displayed both in the kuna and the euro. In the period leading up to the date of the introduction of the euro prices in kuna will be displayed more visibly than prices in euro and in the period thereafter the reverse will be the case. Details related to display of prices should be regulated by the Euro Act. In addition, the fixed conversion rate should be indicated next to the price in order for the buyers to be able to check whether prices have been correctly converted to the new currency. It will not be allowed for price lists to contain any additional information which might confuse consumers.

The obligation of dual display of prices will apply to enterprises, including banks, public administration bodies and public sector corporations. In addition to expenditure items, such as receipts from retailers, utility bills, price lists and catalogues, dual display will also be applied to the citizens' income (e.g. reports on paid out salaries, pensions or social benefits, reports on bank account balances, reports on the value of units in investment or pension funds). In contrast, receipts generated by POS devices will not have to indicate amounts in both currencies because companies will be obliged to display this information in the main receipt.

The competent authorities will closely monitor compliance with the obligation of dual display of prices and act in accordance with the powers under the Euro Act and powers provided for under other special regulations. Citizens will also be able to contribute. If they notice that individual companies fail to comply with this rule, they will be able to file their complaints to the competent authorities together with evidence of the infringement of rules via channels of which they will be informed.

5.3 Informing citizens

Informing citizens on the evolution of prices in a comprehensive and regular manner will constitute an important element of consumer protection measures. In the period leading up to and immediately after the introduction of the euro there was a substantial gap in some Member States between the actual and the perceived price increase. Although prices grew only slightly under the influence of the introduction of the euro,

²¹ Commission Recommendation of 10 January 2008 on measures to facilitate future changeovers to the euro (notified under document number C (2007) 6912) (OJ L 23, 26.1.2008).

the citizens of these countries were under the impression that there was a substantial increase in prices and consequently a decrease in the standard of living. The problem of false perception may be mitigated by providing regular information to citizens on the results of price monitoring. Namely, as mentioned earlier, competent authorities will continually monitor developments in consumer prices as they have thus far and will inform the public in regular intervals. In addition to the inflation rate as an aggregate measure of price developments, data shall be published on developments in prices of key categories of goods and services. If Croatian citizens are regularly exposed to correct information on price trends, it is less likely they would get a false impression as was the case in other Member States. The results of price monitoring are going to be regularly presented to the public, thus reducing mistrust and the fear that prices would be increased in a non-transparent manner.

Detailed price monitoring and reporting of their evolution will start just before the entry into force of the obligation of dual display of prices. Information on developments in consumer prices, as well as all information linked to the euro and the conversion procedure will be available at the official euro introduction website (www.euro.hr). Lists of retailers and other companies for which there is evidence that they have raised their prices without justification or incorrectly converted prices from the kuna to the euro (the so-called black lists) will be published and regularly updated on the same website. The site will also provide access to information on the participants in the campaign by the Ministry of Economy and Sustainable Development and business associations who committed in advance to convert prices correctly. The information in question will be communicated to the public by other information channels as well, aiming to reach as much of the population as possible (*see under 7 Information campaign*).

6 KUNA TO EURO CONVERSION PROCESS

6.1 Frontloading of euro banknotes and coins to banks and sub-frontloading of euro banknotes and coins to enterprises, Fina and Hrvatska pošta d.d.

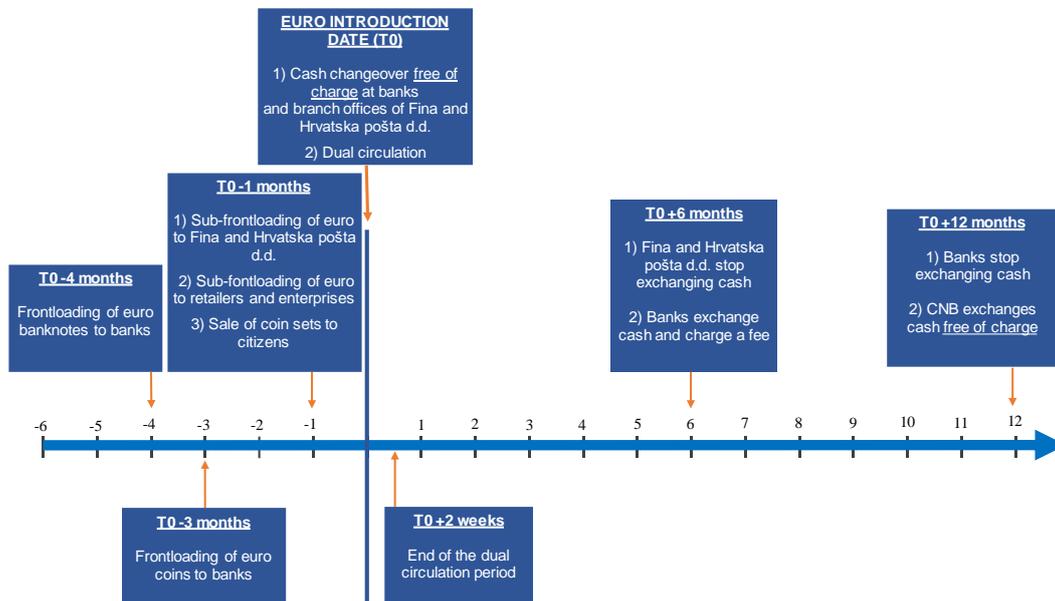
A timely supply of banks and Fina, Hrvatska pošta d.d. and enterprises with euro banknotes and coins is a key precondition for the smooth transition of cash transactions to the new currency. Namely, banks will have a central role in the cash changeover since they will provide that service free of charge in all their outlets during the first six months after the date of the introduction of the euro. On the other hand, retailers and other enterprises need to be supplied with euro cash in a timely manner to be able to execute cash transactions in the new currency starting from the date of the introduction of the euro. Under such conditions, the cooperation between the CNB, as the institution in charge of the procurement of euro banknotes and coins, and banks, which will supply enterprises and citizens with cash, is key for the timely preparation of the changeover to the new currency.

The plans for the initial supply of euro banknotes and euro and cent coins differ. The planned banknote quantities will be borrowed from the Eurosystem based on an agreement between the CNB and one of the national central banks of the Eurosystem, while coins will be minted especially for the purpose of euro introduction in Croatia. Namely, in contrast to euro banknotes which are identical in all euro area countries, euro and cent coins display the national motifs of Member States on the obverse side (the national side).²² The borrowed banknote quantities will be returned to the central bank of the Eurosystem through increased production of banknotes in the years after the introduction of the euro in Croatia. Preparations for the production of coins will begin much earlier because before the start of the actual production it is necessary to carry out a tender procedure for selecting the design of the obverse side of euro and cent coins.²³ The tender and the final selection of the design for the obverse side need to be completed before the EU Council decides Croatia meets the necessary conditions for the introduction of the euro and sets the conversion rate – which, as a rule, happens six months prior to the euro introduction date – in order for the coin production to be completed in time.

²² Existing euro coins owned by citizens, businesses and banks will continue to be used after Croatia adopts the euro.

²³ The CNB will launch a tender for the design of the national side of euro and cent coins and present the short-listed candidates to the public, who will be invited to participate in the final selection.

Figure 2 Time schedule of cash changeover activities*



Note

* The time schedule is created based on the assumption that the EU Council will set the conversion rate six months prior to the date of the introduction of the euro as was the case when other Member States were joining the euro area. However, it cannot be ruled out that in Croatia's case the fixed conversion rate might be set a little later, for instance two or three months prior to the introduction of the euro. In that case the frontloading of banks with euro banknotes and coins would also start later than usual.

** After 12 months from the introduction of the euro, it will be possible to exchange cash only at the CNB. It will be possible to exchange coins only up to three years after the introduction of the euro, while banknotes will be exchanged for an unlimited period of time.

The frontloading of euro cash to banks will start several months prior to the introduction of the euro. The frontloading of euro banknotes will start four months prior to the date of the introduction of the euro and the frontloading of euro coins three months prior to the date of the introduction of the euro at the earliest. The frontloading will be based on the frontloading agreement concluded by each bank with the CNB. In exchange for the allocated banknotes and coins banks will have to provide adequate collateral in the form of cash deposits or high-quality securities. The CNB will not charge banks for the frontloading of cash.

Banks will use some of the frontloaded cash for the sub-frontloading of Fina and Hrvatska pošta d.d. and their clients from the corporate sector. In the EU legal framework, the procedure under which banks supply companies with cash immediately before the date of the introduction of the euro is officially referred to as sub-

frontloading. The sub-frontloading of bank clients will start a month prior to the official introduction of the euro. In agreement with interested enterprises, Fina and Hrvatska pošta d.d. banks will determine the amounts of cash to be frontloaded to them, bearing in mind the cash changeover process itself and its smooth completion. Several days prior to the date of the introduction of the euro banks will be able to carry out the so-called simplified sub-frontloading, distributing cash in the amount of up to EUR 10,000 to enterprises. Only micro-enterprises will have the right to participate in the procedure, that is, enterprises with less than ten employees and annual income below two million euro. Banks will sub-frontload their clients free of charge.

Although euro cash will not be frontloaded to the public, in the weeks leading up to the introduction of the euro citizens will be able to obtain sets (the so-called starter kits) of euro and cent coins with national motifs on the obverse side at banks and branch offices of Fina and Hrvatska pošta d.d. They will not be charged a fee and the value of the set will be calculated at the fixed conversion rate. Citizens will be able to use these coins for payments in the country and abroad only after the date of the introduction of the euro. Namely, euro and cent coins with Croatian national motifs on the obverse side will become the official tender in Croatia and the rest of the euro area only on the date of the introduction of the euro in Croatia.

6.2 Conversion of cash, deposits and loans

The cash changeover will take a longer period of time and several entities will be involved in these activities: banks, Fina, Hrvatska pošta d.d., retailers and the CNB. The final deadline for exchanging banknotes will not be set so after the expiry of the first 12 months from the date of the introduction of the euro, citizens will be able to exchange kuna banknotes for euro banknotes with the CNB at any future moment. However, the exchange of kuna coins for euros will be possible with the CNB for a period of three years after the date of the introduction of the euro. Despite long deadlines, it is expected that the cash changeover will be especially intensive in the first two weeks after the introduction of the euro, i.e. during the dual circulation period. The conversion of kuna assets in current, giro, savings and other accounts with banks will be completed as at the date of the introduction of the euro at the fixed conversion rate.

Banks will exchange the bulk of kuna cash. In the first six months after the date of the introduction of the euro, banks will exchange cash free of charge, while in the six months thereafter they will be allowed to charge a handling fee for the service. The CNB will encourage banks to start exchanging cash in some of their outlets already on the day of the introduction of the euro (on 1 January) although it is a public holiday. Banks will be entitled to limit the number of kuna banknotes and coins that citizens and enterprises are able to exchange in one transaction. However, this cap shall not be set

below 100 banknotes and 100 coins. Should an entity request exchange of kuna cash for euros in quantities exceeding the set cap, banks will be entitled to charge a fee.²⁴

However, banks will not be entitled to charge a fee if a client deposits kuna cash to a euro current, giro or savings account. In other words, clients will be able to exchange kuna cash for euros without limitations or costs by depositing it to bank accounts. Banks will return kuna banknotes and coins collected in transactions with clients to the CNB.

Banks will have to load their ATMs with euro banknotes and adjust their software so as to pay out only kuna cash up to the date of the introduction of the euro and only euro thereafter. ATMs should initially be loaded with euro banknotes in smaller denominations to facilitate cash transactions, especially at retail outlets, which, if possible, should give their buyers change only in euro. It is possible that banks will not succeed in preparing all of their ATM to pay out euros as from the first day so initially some ATMs may be out of service. However, within 48 hours of the date of the euro introduction ATMs should be ready to pay out euro cash. As for the adjustment of banks' POS devices at retailers, banks will, to the largest extent, be able to adjust their software remotely from their headquarters, without having to adjust each device separately.

In addition to banks, in the first six months from the date of the introduction of the euro it will also be possible to exchange the kuna in branch offices of Fina and Hrvatska pošta d.d., free of charge. As in banks, there will be caps set at branch offices of Fina and Hrvatska pošta d.d. on how many pieces of banknotes and coins each customer will be allowed to exchange for euros per one transaction free of charge.

During the dual circulation period citizens will be able to exchange some of their kuna cash while shopping. In the first two weeks from the date of the introduction of the euro citizens will be able to pay for their purchases both in kuna and in euro, while retailers, if possible, should give change exclusively in euro. In this way, retailers will exchange a share of kuna cash for euros, facilitating the changeover process.²⁵ However, certain limits will be applied to prevent citizens from overburdening shops with kuna cash. For example, during this transition period retailers will not be obliged to accept more than 50 coins per one transaction.

²⁴ A bank will be allowed to refuse a client's request for cash exchange if the number of kuna banknotes and coins that the client wishes to exchange for euros is exceptionally large, but it will be obliged to accept all requests not exceeding 100 banknotes and 100 coins.

²⁵ For practical reasons, some retailers will not be able to give change only in euro. This goes primarily for shops in rural and less populated areas where access to banks is limited, making it possible that they had not been supplied with euro within the sub-frontloading process. These shops will be allowed to give customers change in kuna as well during the dual circulation period. However, after the expiry of the dual circulation period all shops in the country will have to be able to execute cash transactions exclusively in euro.

Kuna assets in current, giro and other accounts with banks, as well as banks' assets in accounts with the CNB will be converted to the euro on the date of the introduction of the euro (the so-called *Big Bang approach*). In contrast to kuna cash, the exchange of which will last for weeks or months, kuna assets in bank accounts will be converted to the euro momentarily. As for deposits whose interest rate is linked to one of the existing parameters, the Euro Act will lay down which euro parameter will be applied from the date of the introduction of the euro. Banks will notify their clients several weeks in advance of all conversion details and will not charge their clients during the changeover period as discussed earlier. Considering that all kuna assets in accounts with banks will be converted as at the date of the introduction of the euro, the dual circulation period will not apply to cashless payment transactions. As of the date of the introduction of the euro cashless payment transactions will be executed entirely in euro.

With a view to facilitate the cash changeover, a public campaign will be launched six months prior to the date of the introduction of the euro, inviting citizens to deposit their surplus kuna cash to kuna accounts with banks in the months leading up to the introduction of the euro. Namely, as explained above, the cash changeover is a far more challenging task than the conversion of deposits so the campaign will aim to keep the quantity of kuna cash in circulation at the moment of the euro introduction at the lowest possible level.

If, in line with this recommendation, citizens start to deposit their money with banks earlier, the inflow of cash to banks and other involved entities in the first few weeks of the changeover process will be lower, making the entire process faster and more efficient. As part of the same campaign citizens will be advised not to exchange the kuna to the euro prior to the date of the introduction of the euro in order not to incur unnecessary costs. Namely, although the fixed conversion rate will be known several months before the changeover, banks will not be obliged to exchange kuna at this rate until the date of the introduction of the euro. As a result, citizens who decide to exchange their kuna into euro in the months leading up to the date of the introduction of the euro will bear the cost equalling the difference between the selling rate set by a bank (or an authorised exchange office) and the fixed conversion rate. Starting from the date of the introduction of the euro, the kuna will be exchanged for the euro free of charge at the fixed conversion rate both in case of cash and in case of deposits.

At the same time, both in the period before the euro introduction and in the period thereafter, due to the campaign inviting citizens to deposit their surplus kuna cash to accounts with banks, competent authorities will intensify their AML/CFT oversight and prevention activities in financial institutions. Aiming to ensure the quality of the money laundering oversight and prevention system, the Coordination Committee for the Adjustment of the Financial System will award special attention to measures in this area.

As of the date of the introduction of the euro all kuna loans and loans with a currency clause in euro will be considered as loans in euro. Pursuant to the principle of the continuity of contracts and other legal instruments, the introduction of the euro will not affect the validity of existing contracts specifying amounts in the domestic currency. This, among other things, means that kuna loan agreements and agreements on loans with a currency clause in euro need not necessarily be amended due to the changeover to the euro as the new official currency²⁶. The Euro Act will ensure that the amounts in these agreements expressed in kuna are automatically converted to amounts in euro at the fixed conversion rate and free of charge for the debtor. The Euro Act will also regulate the issue of interest rates in existing loan agreements. As regards loans contracted with a fixed interest rate, for the duration of the repayment period, the interest rate will remain unchanged, which means there will be no changes in these agreements. For loans with a variable interest rate, where the interest rate is linked to some of the existing parameters, the Euro Act will lay down the manner in which the relevant parameters will be adjusted following the introduction of the euro. These parameters will have to be modified for all kuna and euro loans whose interest rate is linked to the national reference rate (NRR) and the average interest rate on household deposits. However, it is not allowed to place the debtor in a less favourable financial position. In fact, the interest rate (made up of the sum of the variable and the fixed component) will remain equal to the one they would have normally paid or will even decrease a little (*see Box 1*).

²⁶ Should some loan agreements need to be amended, the costs associated with the amendment will not be borne by bank clients but by banks and leasing companies.

Box 1 Conversion of kuna loans and kuna loans with a currency clause with special reference to regulating variable interest rates after the introduction of the euro

In addition to regulating the conversion of amounts expressed in kuna into amounts expressed in euro at the fixed conversion rate (free of charge for debtors), the Euro Act will also regulate the issue of interest rates. This is particularly important for all loans agreed with a variable interest rate. As for loan agreements with a fixed interest rate, the interest rate will remain the same as initially agreed. For loan agreements with a variable interest rate, the interest rate consists of a variable component (determined by one of the legally permitted parameters) and a fixed margin. Pursuant to the provisions of the Consumer Credit Act, a variable interest rate may be linked to one of the following parameters: EURIBOR, LIBOR²⁷, the national reference rate (NRR), yield on treasury bills of the Ministry of Finance, or the average interest rate on household deposits. Given the methodology for the calculation of individual parameters, the changeover to the euro – which will turn all kuna deposits to euro deposits – will require finding an adequate transitional solution for the national reference rate that is calculated both for the kuna and for the euro.²⁸ Other parameters will not require transitional solutions. However, this does not mean that the practice of using all these parameters should not be changed. Especially, if one takes into account the practice in other euro area countries, where EURIBOR is used almost exclusively as the parameter to which variable interest rates are linked.

In this vein, the Euro Act will prescribe that as of the date of the introduction of the euro banks in their relations with consumers will no longer be allowed to contract new loan agreements with variable interest rates linked to the NRR, yield on treasury bills of the Ministry of Finance or the average interest rate on household deposits. From the date of the introduction of the euro, banks in their relations with consumers will be able to contract new loans with variable interest rates using only EURIBOR as the parameter, in accordance with the prevailing practice in all euro area countries, and possibly in some cases by using LIBOR as the parameter.²⁹ In this connection, it will be reviewed

²⁷ LIBOR is the average interest rate at which major banks lend to each other and is calculated in five global currencies (USD, EUR, GBP, JPY and CHF).

²⁸ An appropriate transitional solution will need to be found for the average interest rate on household deposits, although it is practically never applied.

²⁹ The legal framework in this area will be aligned with the current Regulation (EU) 2016/1011 and its amendments concerning, among other things, the planned termination of the provision of LIBOR and the envisaged transitional period of its use (at least until 31 December 2023), as well as with the delegated acts of the European Commission which will possibly determine substitute rates for cases which cannot be solved in any other way.

whether there are amendments necessary to other laws prescribing permissible parameters in contractual relationships with consumers. On the other hand, for loans contracted prior to the introduction of the euro with a variable interest rate linked to the NRR, yield on treasury bills of the Ministry of Finance or the average interest rate on household deposits, continuity of contracts will be ensured with possible adjustment of parameters or their levels, which will in no way be less favourable for the consumer. However, this does not mean that one contracted parameter will be changed, i.e. replaced by another.³⁰

As regards loans where the variable interest rate is linked to the yield on treasury bills of the Ministry of Finance, no parameter adjustments will be necessary because the yield on treasury bills will also be available after the introduction of the euro. Namely, in connection to new treasury bill issues only the currency in which treasury bills are expressed will change (from the kuna to the euro). In contrast to cases where interest rates are linked to the yield on treasury bills, when interest rates are linked to the NRR (and the average interest rate on household deposits, which is hardly ever used), minor parameter adjustments will be necessary because the introduction of the euro will lead to the "merger" of the existing reference rates for the kuna and for the euro. The adjustment will be made with the aim to eliminate the mathematical effect of the "merger" of reference rates on changes in their levels.

The said adjustment will be carried out at the first regular interest rate change with new NRR data available after the introduction of the euro. At that moment, the structure of the interest rate will be adjusted so that the last applied interest rate is defined as the sum of the existing fixed margin and the new "merged" NRR of the relevant coverage ("Natural persons", "Natural persons and legal persons from the non-financial sector" and "All natural and legal persons") and maturity (3M, 6M or 12M) for the same period used in the last interest rate change. For this purpose, at least 30 days prior to the introduction of the euro, historical synthetic data on the "merged" NRR will be published, aggregating actual historical data on the NRR for the kuna and the euro. At the same time, to ensure that debtors remain in at least equally favourable financial position as they would have been, had the effect of the NRR "merger" caused by the euro introduction never taken place, in certain cases the level of fixed margin will be reduced when redefining the interest rate. Specifically, if the new, "merged", NRR is lower than the old NRR for the relevant currency and maturity, the fixed margin will remain the same so the interest rate will be reduced for the amount of the difference. In the opposite case, if the new NRR is higher than the old, the fixed margin will be reduced by the amount of the difference in order to

³⁰ The case at hand here is the adjustment of a parameter, where instead of the previously used kuna NRR a euro NRR is used. An exchange of parameters would be when kuna NRR would be replaced by, for instance, the EURIBOR.

keep interest rate the same as it would have been had the "merger" of the NRR never taken place.

Table 1 Illustrative examples of the conversion of kuna loans and loans with a currency clause

Type of loan	Interest rate	Prior to the introduction of the euro	After the introduction of the euro
kuna loan	fixed	Example 1	
		Principal = HRK 500,000 Interest rate = 4.2% fixed	Principal = EUR (500,000/fixed conversion rate) Interest rate = 4.2% fixed
	variable	Example 2	
		Principal = HRK 500,000 Interest rate = 3.24% variable [3.0% (fixed margin) + 0.24% (3M NRR1 HRK)]	Principal = EUR (500,000/fixed conversion rate) Interest rate = 3.22% variable [3.0% (fixed margin) + 0.22% (3M NRR1 EUR-new)]
		Example 3	
		Principal = HRK 500,000 Interest rate = 3.51% variable [3.5% (fixed margin) + 0.01% (12M MoF T-bills HRK)]	Principal = EUR (500,000/fixed conversion rate) Interest rate = 3.51% variable [3.5% (fixed margin) + 0.01% (12M MoF T-bills EUR)]
kuna loan with a currency clause in euro	fixed	Example 4	
		Principal = EUR 70,000 Interest rate = 3.8% fixed	Principal = EUR 70,000 Interest rate = 3.8% fixed
	variable	Example 5	
		Principal = EUR 70,000 Interest rate = 3.20% variable [3.0% (fixed margin) + 0.20% (3M NRR1 EUR)]	Principal = EUR 70,000 Interest rate = 3.20% variable [2.98% (fixed margin) + 0.22% (3M NRR1 EUR-new)]
		Example 6	
		Principal = EUR 70,000 Interest rate = 2.60% variable [3.0% (fixed margin) + (-0.40%) (3M EURIBOR)]	Principal = EUR 70,000 Interest rate = 2.60% variable [3.0% (fixed margin) + (-0.40%) (3M EURIBOR)]

Note: As a general note, all the amounts of principal, fixed interest rates and fixed margins for loans with variable interest rates used in the example are hypothetical. The values of the parameters to which variable interest rate components are linked represent the approximate values for these parameters in the fourth quarter of 2019.

Example 1 is a simple example of a case without significant changes caused by the introduction of the euro. The only change is the expression of the value of the principal, which is automatically converted to the euro (from the kuna) at the fixed conversion rate.

Example 2 is a more complex example. In addition to the automatic conversion of the principal into euro, it is important to notice that the 3-month NRR for "Natural persons" for the kuna is changed to the new 3-month NRR for "Natural persons" for the euro after the introduction of the euro (the EUR-new mark is important to differentiate this series from the NRR series for the euro that existed prior to the introduction of the euro and the difference is that the NRR EUR-new was created by the merger of former NRR HRK and NRR EUR). Since the new 3M NRR1 EUR-new (0.22%) is lower than the 3M NRR1 HRK (0.24%), which would normally be taken as the reference value had the euro not been introduced, the fixed margin remains the same and it comes to a slight reduction in the interest rate (from 3.24% to 3.22%).

Example 3 is again a simple example of a case where the principal is automatically converted to euro and the parameter, the 12-month kuna T-bill is changed to the equivalent one in euro.

Example 4 is an example of the loan in kuna with a currency clause in euro and a fixed interest rate, so there are absolutely no changes there.

Example 5 is similar to Example 2 in the sense that the variable component of the interest rate is linked to NRR but in euro and not in kuna, as was the case in Example 2. It is noteworthy that the 3-month NRR for "Natural persons" in euro is changed into the new 3-month NRR for "Natural persons" in EUR-new after the introduction of the euro. In addition, considering that the new 3M NRS1 EUR-new (0.22%) is higher than 3M NRS1 EUR (0.20%), which would otherwise be applied as a reference value had the euro not been introduced, by 0.02 percentage points, fixed margin is reduced by the amount of the difference (0.02 percentage points). This means that in this case the fixed margin is reduced from 3.0% to 2.98%, ensuring that the interest rate remains the same (3.2%) as it would have been had the euro not been introduced, i.e. that the debtor is not placed in a less favourable financial position.

Example 6 is a simple example where the variable component of the interest rate is linked to the EURIBOR, so there are no changes in this case.

6.3 Conversion of securities

The introduction of the euro also includes the recalculation of the value of shares, bonds, units in investment and pension funds and all other capital and money market instruments. As with the conversion of prices, the fixed conversion rate will be used in its full numerical expression, which means applying all five decimals, for the recalculation from the kuna to the euro. Only after the value of shares, bonds or some other instrument is converted to euro by using the fixed conversion rate, will its value be rounded to the nearest cent or euro.

The recalculation of the nominal value will be carried out in accordance with the decision of the securities' issuer. The decision on the recalculation of the nominal price by the issuer may be adopted at the earliest on the date the EU council sets the fixed conversion rate, which means some six months prior to the introduction of the euro. However, this decision cannot enter into force prior to the euro introduction date. If a security is not converted up to the euro introduction date, the nominal value expressed

in kuna shall be considered the value in euro recalculated at the fixed conversion rate. The issuers are obliged to convert the nominal value of issued securities to euro within a year from the euro introduction date.

The manner of recalculating the values of shares will differ, depending whether the enterprise is a joint stock company or a limited liability company. Namely, nominal and market values of joint stock company shares will be rounded to two decimal places after calculation, i.e. to the nearest cent. On the other hand, the nominal value of shares of limited liability companies will be rounded to the nearest euro. The difference in the recalculation of the value of shares arises from the need to preserve a delicate balance in the ownership structure of joint stock companies, whereby it is exceptionally important to protect the interest of small shareholders. The rounding of the value to the nearest euro would disrupt the relations in the ownership structure of joint stock companies, while there is no such risk as regards limited liability companies which, as a rule, have fewer owners.

The value of bonds, commercial and treasury bills, after recalculation to the euro will be rounded to two decimals, as is the case with shares. In case the issuer fails to convert the nominal value of the debt security by the date of the introduction of the euro, the amount in kuna will be considered as the amount in euro recalculated at the fixed conversion rate. All payments arising on the basis of these instruments – for instance, interest rate or principal repayments – due on or after the date of the introduction of the euro will be executed exclusively in euro, regardless whether the nominal value is expressed in kuna or in euro.

After recalculation to euro, units in investment and pension funds will be rounded to amounts lower than one cent. Namely, it is common practice for the value of these units to be expressed in figures with more than two decimal places because that way the value of the unit reflects developments in the total value of the fund's assets more precisely. Since currently, when the kuna is the official currency, the values of fund units are expressed in five decimals, after the introduction of the euro as the official currency – whose one unit is worth much more than one unit of Croatian kuna – the value of the fund units will be expressed in six decimal places.

7 INFORMATION CAMPAIGN³¹

7.1 Activities undertaken immediately after the launch of the Eurostrategy

A series of educational activities started at the end of October 2017, when the Eurostrategy was presented to the public and continued in the following months through a series of conferences and public lectures. The objective of these activities was to inform the public of the euro adoption process, potential impacts of the euro on citizens and enterprises and of economic policies required to achieve membership in the monetary union. Representatives of the CNB and the CCE held lectures for entrepreneurs in almost all county chambers of economy and lectures were held at numerous faculties across the country, with students and the academia showing great interest in the topic. It is also noteworthy that numerous pupils, students and other interested parties attend the CNB's lectures organised each month, where, in addition to general information on the monetary policy in Croatia, they are given a detailed overview of the costs and benefits of introducing the euro.

These activities are important to familiarise citizens with numerous benefits of euro adoption in Croatia, at the same time eliminating some unfounded fears. Namely, the benefits for the Croatian economy from the introduction of the euro are predominantly macroeconomic in nature – for instance, elimination of currency risk, reduction of risks to financial stability, improvement of competitiveness – and are probably not completely understandable to the wider public. At the same time, a substantial percentage of citizens has the same fear – that the introduction of the euro would lead to a strong increase in prices – which according to the experiences of countries that have already adopted the euro is unfounded. Therefore, it is exceptionally important to intensify educational activities aimed at the wider public in the period leading up to the introduction of the euro.

7.2 Objectives of the information campaign and targeted groups

The mentioned educational activities are an introduction to a comprehensive information campaign to be launched after Croatia's entry in the exchange rate mechanism ERM II. The main objective of the campaign is to communicate to the public important information relating to the introduction of the euro. In addition to information on the date

³¹ The main principles and the manner of implementing the information campaign will be elaborated in a different document – the Communication Strategy for the Introduction of the Euro in the Republic of Croatia.

of the introduction of the euro and the fixed conversion rate, which will become known some six months prior to the introduction of the euro, citizens need to be timely informed when and where they will be able to exchange their kuna cash, what will happen to loans and deposits denominated in kuna and how the Government of the Republic of Croatia will protect them from unjustified price growth. Special attention in the campaign will be awarded to raising awareness about the consumer protection measures since a public opinion survey established that a considerable percentage of citizens fears that the introduction of the euro might lead to a noticeable increase in prices. One of the key consumer protection measures will be the obligation of dual display of prices, to be complied with by all private and public sector enterprises (*see 5.2 Dual display of prices*). In addition to authorities competent for the supervision of the implementation of the dual display of prices and price conversion rules, they will include consumers. Citizens will be able to make inquiries relating to the euro introduction in Croatia, as well as file complaints against businesses not complying with the obligation of dual display of prices or unjustly raising prices or incorrectly converting them. Citizens will be informed in a timely manner on how to submit their complaints and queries to competent authorities.

The information campaign will be conducted in a manner that will cover all parts of the society. It will therefore employ different instruments and communication channels, including the mass media (television, radio, newspapers and the internet), information posters, brochures, leaflets, as well as direct mail, which is the most effective channel of communicating information to groups such as pensioners or persons living in sparsely populated areas. An important role in informing vulnerable groups such as the elderly living in remote and sparsely populated areas will be awarded to representatives of local and regional self-government units which will make sure that such persons are provided key information on the introduction of the euro. The campaign will, among other things, rely on audio-visual materials from the European Commission and the ECB used in information campaigns of other Member States. The implementation of the campaign will be supervised by the Coordination Committee for Communications (*see 4.1 Coordination of preparatory activities for the introduction of the euro*).

The campaign will objectively inform and educate the public. It is especially important to get the following information across:

- when the euro will be introduced and what is the fixed conversion rate;
- when and for how long kuna banknotes and coins can be exchanged for the euro;
- the changeover to the euro will be conducted free of charge starting from the date of the introduction of the euro; each exchange of the kuna for the euro prior to that date might incur costs;
- cash changeover will be carried out at banks and branch offices of Fina and Hrvatska pošta d.d.;

- after 12 months from the date of the introduction of the euro exchanging cash will be possible only at the CNB; banknotes for an unlimited period of time and coins for three years after the date of the introduction of the euro;
- kuna assets in accounts with banks will be completely converted to the euro on the date of the introduction of the euro;
- the Government of the Republic of Croatia and other competent authorities will undertake numerous measures to protect consumers, of which the dual display of prices will be the most important one;
- it will be possible to file complaints against retailers and enterprises breaching the obligation of dual display of prices or unjustly increasing/incorrectly converting prices from the kuna to the euro;
- during the two-weeks of the dual circulation period retailers will accept payments in both currencies;
- after the expiry of the dual circulation period the euro will remain the only legal tender in the Republic of Croatia.

7.3 Timetable of information activities

The information campaign will have three stages: 1) the period up to the decision of the EU Council to introduce the euro in Croatia, 2) the period from the Council's decision to the date of the introduction of the euro and 3) the period starting on the date of the introduction of the euro and lasting for 12 months.

STAGE 1

Duration in Croatia:

Begins with ERM II entry and ends six months prior to the introduction of the euro (when by adopting a decision the EU Council confirms that the necessary conditions for the introduction of the euro in Croatia have been met and sets the fixed conversion rate; if the Council reaches this decision at a later moment, the beginning of stage 2 of the campaign will be postponed as well).

Some of the activities in this stage:

- communication activities (lectures, conferences, forums, press releases, brochures, paid advertisements) aimed at familiarising citizens with the general aspects of the introduction of the euro:
 - familiarise citizens with the most important advantages of introducing the euro;
 - try to address the unfounded fear that the introduction of the euro will significantly raise prices;

- make citizens aware that the Government of the Republic of Croatia will undertake numerous measures to protect consumers (of which the dual display of prices will be the most important one);
- explain when and for how long cash can be exchanged;
- warn citizens against exchanging cash prior to the official date of the introduction of the euro not to incur costs;
- explain what will happen to existing kuna loans and deposits, especially loans with variable interest rates;
- announce the application of the rules on dual display of prices;
- announce dual circulation (of both the kuna and the euro) in the first two weeks from the euro introduction date;
- notify enterprises/retailers of the obligation to display prices in both currencies during the period of dual display of prices;
- invite enterprises to participate in the campaign of the Ministry of Economy and Sustainable Development and business associations (CCE, HOK, CEA), promoting correct conversion of prices into the new currency, applying the ethical code relating to the introduction of the euro;
- inform the public of the existence of a toll-free phone line and webpage (e.g. www.euro.hr) where they can get answers to questions relating to the introduction of the euro;
- public opinion surveys.

STAGE 2

Duration in Croatia:

Begins 6 months prior to the introduction of the euro and ends on the day prior to the date of the introduction of the euro.

Some of the activities in this stage:

- most intensive stage
- organisation of events:
 - a major conference on the introduction of the euro three months prior to the date of the introduction of the euro;
 - Euro Day – to be organised 100 days prior to the introduction of the euro and include a series of public events across the country;
- communication activities aimed at familiarising citizens with the general aspects of the introduction of the euro, as in the first stage;
- communication activities aimed at including citizens in the process of introducing the euro;

- inform citizens that during the period of dual circulation they can pay for their purchases in both currencies and that after that period the euro will become the only official currency;
- inform citizens that the exchange of cash will be possible at banks (in the period of 12 months from the date of the introduction of the euro) and Fina and Hrvatska pošta d.d. (in the period of six months from the euro introduction date);
- inform citizens that the exchange of cash at the CNB will be possible only after the expiry of the 12-month period from the date of the introduction of the euro;
- inform citizens of the fixed conversion rate at which the kuna will be exchanged for the euro (as a rule, the EU Council sets the fixed conversion rate six months prior to the introduction of the euro);
- inform citizens (especially those who regularly handle cash at work) of the physical features of euro banknotes and coins;
- invite citizens to deposit as much kuna cash, especially kuna coins, to their kuna bank accounts prior to the introduction of the euro;
- warn citizens against exchanging kuna cash prior to the official introduction of the euro in order not to incur costs;
- ensuring the possibility of filing complaints in cases of breaches of the rule on dual display of prices or unjustified increases / incorrect conversion of prices to the new currency and inviting citizens to make use of it;
- inform the public of names of enterprises breaching the rule on dual display of prices or increasing prices without justification / incorrectly converting prices;
- public opinion surveys.

STAGE 3

Duration in Croatia:

Begins on the date of the introduction of the euro and ends 12 months after the date of the introduction of the euro.

Some of the activities in this stage:

- publish data on price developments (aimed at countering possible perception that the changeover to the euro strongly increased prices);
- inform the public of the names of enterprises breaching the rule on dual display of prices or unjustly increasing / incorrectly converting prices;
- identify possible misinformation in the media on the progress and effects of the currency changeover and publish press releases denying incorrect information;
- repeat important information on cash changeover deadlines;
- evaluate the information campaign;
- public opinion surveys.

Legal sources

Commission Recommendation of 10 January 2008 on measures to facilitate future changeovers to the euro (OJ L 23, 26.1.2008);

Council Regulation (EC) No 1103/97 of 17 June 1997 on certain provisions relating to the introduction of the euro (OJ L 162, 19.6.1997, p. 1 – 3);

Council Regulation (EC) No 2866/98 of 31 December 1998 on the conversion rates between the euro and the currencies of the Member States adopting the euro (OJ L 359, 31.12.1998, p. 1 – 2);

Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro (OJ L 139, 11.5.1998, p. 1 – 5).

Abbreviations

- CBA – Croatian Banking Association
- CBS – Croatian Bureau of Statistics
- CCE – Croatian Chamber of Economy
- CDCC – Central Depository and Clearing Company
- CEA – Croatian Employers’ Association
- CLVPS – Croatian Large Value Payment System
- CNB – Croatian National Bank
- ECB – European Central Bank
- EMU – economic and monetary union
- ERM II – Exchange Rate Mechanism II
- EU – European Union
- EUR – euro
- EURIBOR – Euro Interbank Offered Rate
- EuroNCS – National clearing system for the clearing of payment transactions in euro
- Fina – Financial Agency
- HANFA – Croatian Financial Services Supervisory Agency
- HOK – Croatian Chamber of Trades and Crafts
- HRK – kuna
- LIBOR – London Interbank Offered Rate
- NCS – National Clearing System
- NCSInst – payment system enabling the providers of payment services continued execution of instant kuna payment transactions
- NRR – national reference rate
- SEPA – Single Euro Payments Area
- TARGET 2 – Trans-European Automated Real-time Gross settlement Express Transfer system 2
- TARGET 2-HR – Trans-European Automated Real-time Gross settlement Express Transfer system 2-HR