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EUROPEAN CENTRAL BANK

EUROSYSTEM

**OPINION OF THE EUROPEAN CENTRAL BANK**

**of 30 May 2008**

**at the request of Národná banka Slovenska**
**on a draft decree laying down rules for the dual display of certain prices, payments and other amounts and on a draft decree laying down the number of decimal places of certain types of securities for the purpose of rounding by redenomination of their nominal value from the Slovak currency to the euro**

**(CON/2008/23)**

## Introduction and legal basis

On 6 May 2008 the European Central Bank (ECB) received a request from Národná banka Slovenska (NBS) for an opinion on a draft decree laying down certain rules for the dual display of certain prices, payments and other amounts in the banking, capital market, insurance industry and pension saving sectors (hereinafter the 'first draft decree') and on a draft decree laying down the number of decimal places of certain types of securities for the purpose of rounding by redenomination of their nominal value from the Slovak currency to the euro (hereinafter the 'second draft decree').

The ECB's competence to deliver an opinion is based on Article 105(4) of the Treaty establishing the European Community and the first and second indents of Article 2(1) of Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions[1], as the first and second draft decrees (hereinafter collectively the 'draft legislative provisions') relate to currency matters and means of payment. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

## 1. Purpose of the draft legislative provisions

The first draft decree provides for dual display and other rules to convert certain amounts in the banking, capital market, insurance industry and pension savings sectors and is based on Article 18(10)(a)(2) of Law No 659/2007 Coll. on the introduction of the euro in Slovakia and including amendments to certain laws (hereinafter the 'Slovak Euro-Law'). The second draft decree provides for rounding rules for certain types of securities and is based on Article 15(9) of the Slovak Euro-Law. The purpose of both draft legislative provisions is to implement the Slovak Euro-Law to facilitate Slovakia's smooth changeover to

1 OJ L 189, 3.7.1998, p. 42.

the euro.

## 2. General observations

The ECB welcomes the draft legislative provisions as important preparatory measures for the eventual introduction of the euro in Slovakia. The ECB notes that both draft legislative provisions are based on enabling provisions contained in the Slovak Euro-Law providing for a possibility to adopt detailed technical implementing measures to facilitate the smooth changeover to the euro. The ECB has assessed this Law in Opinion CON/2007/43[2].

In light of Commission Recommendation of 10 January 2008 on measures to facilitate future changeovers to the euro[3], published after adoption of the Slovak Euro-Law, the ECB notes that mandatory dual display should start as soon as possible after the Council's official adoption of the irrevocably fixed conversion rate between the national currency and the euro. The Slovak Euro-law provides that mandatory dual display shall start one month after the conversion rate is fixed, allowing also for voluntary dual display outside the mandatory period[4]. In view of the Slovak Euro-law and the Commission's recommendation, the parties concerned should be encouraged to apply the draft legislative provisions in this regard from the day of fixing the conversion rate.

## 3. Specific observations on the first draft decree on dual display of certain amounts in financial markets and financial institution services in certain sectors

*Rounding rules*

Article 9 of the first draft decree provides: 'When converting insurance amounts from the Slovak koruna to the euro, the converted sum may be rounded up to the whole euro, whereby the whole euro means euro without cent.' Even though the established method of rounding is not mandatory and may be interpreted as being in favour of the final beneficiary in line with Article 2(4) of the Slovak Euro-Law and its general principles, the ECB notes that an insurance amount is pursuant to Article 5 of Regulation (EC) No 1103/97[5] an amount to be paid or accounted for thus being rounded up or down to the nearest cent and therefore Article 9 of the first draft decree should be aligned with Regulation (EC) No 1103/97.

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2 ECB Opinion CON/2007/43 of 19 December 2007 at the request of the Slovak Ministry of Finance on a draft law on the introduction of the euro in Slovakia and on amendments to certain laws.

3 OJ L 23, 26.1.2008, p. 30.

4 Article 18(1) of the Slovak Euro-Law: 'The period of dual display during which the simultaneous dual display in the Slovak currency and the euro is implemented on a mandatory basis, in the established relevant scope of prices, payments and other amounts and in accordance with other stipulated rules, shall begin one month following the date when the conversion rate is fixed and shall end one year following the euro introduction date. Voluntary dual display may, under the stipulated rules, be implemented more broadly than in the mandatory scope of dual display; voluntary dual display may also be implemented, under the stipulated rules, outside the mandatory period of dual display but from the conversion rate fixing date at the earliest.'

5 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). Regulation as amended by Regulation (EC) No 2595/2000 (OJ L 300, 29.11.2000, p. 1).

## 4. Specific observations on the second draft decree on rounding rules and redenomination of certain types of securities

*Rounding rules*

Article 1 of the second draft decree provides: 'In respect of redenomination of the nominal value of equity securities, except for fund shares, from the Slovak koruna including the halier … to the euro including the cent …, the number of decimal places for the purpose of rounding the nominal value of one security shall be maximum four decimal places.' Redenomination of the nominal value of all types of securities must comply with the principles and rules provided for by Article 2 of the Slovak Euro-Law[6], which is aligned with Regulation (EC) No 1103/97, Regulation (EC) No 974/98[7] and the case-law of the Court of Justice of the European Communities[8]. The Slovak Euro-Law distinguishes between (a) amounts in euro which are paid or accounted for (hereinafter the 'cash final amount') rounded to a number with two decimal places[9]; and (b) non-cash final amounts, which may be rounded to a higher number of decimal places thus ensuring the appropriate level of accuracy[10].

The ECB questions the different method of rounding applying to the nominal value of equity securities pursuant to Article 1 of the second draft decree (four decimal places), on the one hand, and to the nominal value of mutual fund shares pursuant to Law No 594/2003 Coll.[11] (six decimal places), on the other, since both nominal values can be considered as non-cash final amounts. In this case it appears that the principle of price neutrality and of the continuity of legal instruments is not precisely followed, thus substantially differing from Article 2 of the Slovak Euro-Law. The ECB therefore recommends ensuring that the same rounding method is used in draft legislative provisions for comparable non-cash amounts of all types of securities.

This opinion will be published on the ECB's website.

Done at Frankfurt am Main, 30 May 2008.

[signed]

*The President of the ECB*

Jean-Claude TRICHET

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6 See e.g. the introductory sentence of Article 15(9) of the Slovak Euro-Law as an enabling provision for the adoption of the second draft decree.

7 Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro (OJ L 139, 11.5.1998, p. 1). Regulation as last amended by Regulation (EC) No 835/2007 (OJ L 186, 18.7.2007, p. 1).

8 Judgment in Case C-19/03 *Verbraucher-Zentrale Hamburg* v *O2 (Germany) GmbH & Co. OHG* [2004] ECR I-8183 and Case C-359/05 *Estager* v *Receveur principal de la recette des douanes de Brive* [2007] ECR I-00581.

9 Article 2(3) of the Slovak Euro-Law.

10 Article 2(4) and (5) of the Slovak Euro-Law.

11 Article 41(8) of Law No 594/2003 Coll. on collective investment and including amendments to certain laws, as amended.