



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM



Cash changeover in Slovakia

Conference on Euro Changeover Preparation

National Bank of Slovakia
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Content

Main changeover documents and preparation

Acquiring euro banknotes and euro coins

Frontloading (banks)

Sub-frontloading (retailers)

Starter kits (public)

Withdrawal and destruction of Slovak Koruna

Development after €-day



Main changeover documents

National Changeover Plan

- adopted on 6 July 2005
- stipulated main tasks of each sector of the national economy
- updated semi-annually
- each sector had:
 - its own Working Committee
 - detailed time schedule for tasks connected with euro adoption



Main changeover documents
Strategy for euro introduction in the cash cycle and
withdrawal and destruction of Slovak Koruna

approved by the Bank Board on 3 July 2007

defined:

- calculations of euro banknotes and euro coins (number of pieces and value)
- starter kits production
- contractual arrangements with commercial banks
- withdrawal of Slovak Koruna from circulation
- contingency measures



Main Changeover Documents

Law on introduction of euro currency

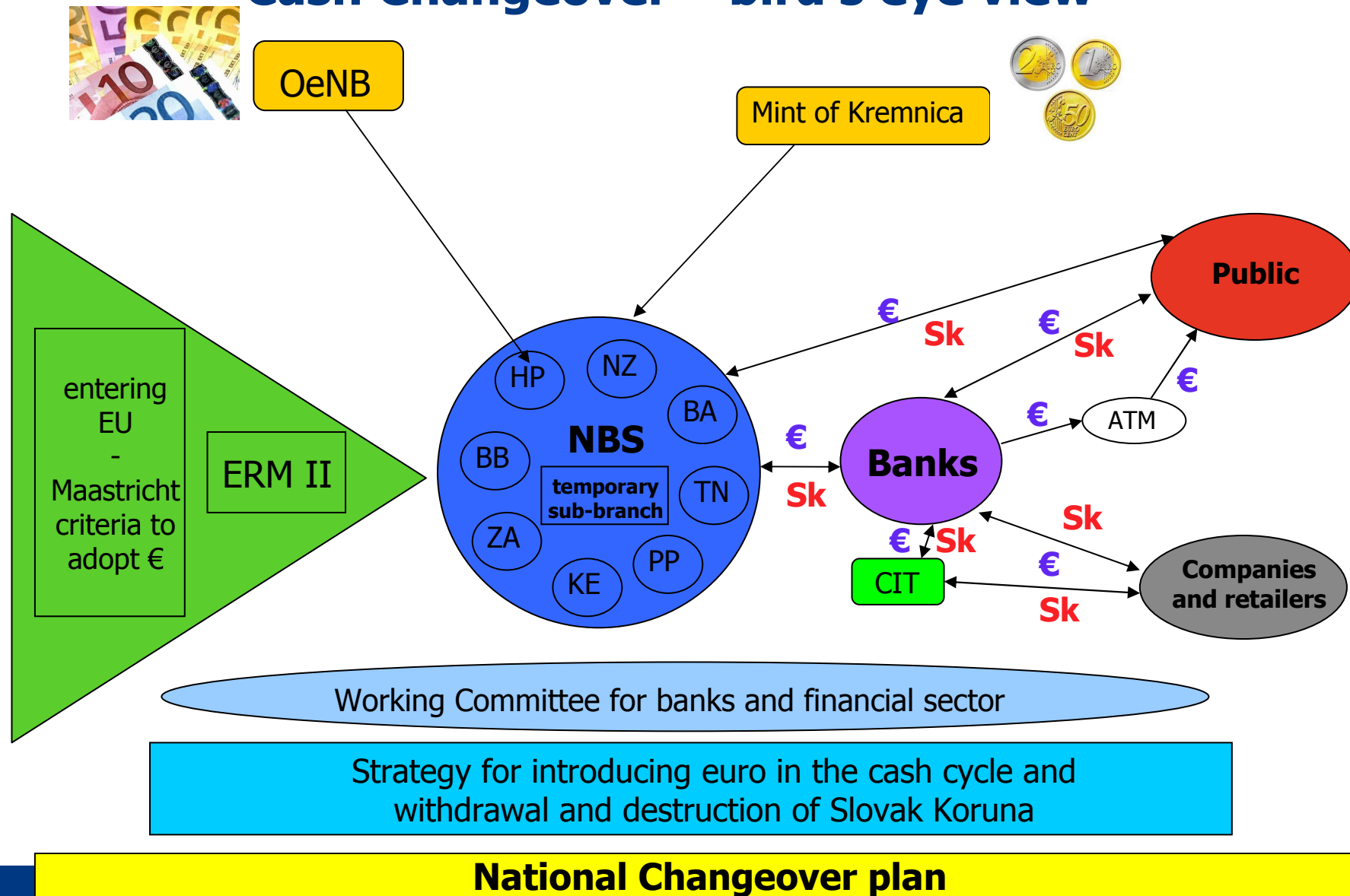
adopted on 27 November 2007

covered main aspects of euro introduction
in the field of cash circulation stipulates:

- dual circulation
- free of charge periods for Slovak koruna exchange
- rounding principles
- amendments of certain laws (e.g. central bank law)



Cash Changeover – bird's eye view





Acquiring of euro banknotes (how many?)

- calculation based on EMI method
- when fine-tuning the results we took into account the following:
 - Slovak banknotes will be partially replaced by euro coins
 - denominations used for ATM's
 - level of sufficient NBS stocks
 - requirements of the banks for frontloading



Acquiring of euro banknotes (from who?)

After ECB agreement the Oesterreichische National Bank was chosen as a supplying Eurosystem Central Bank (55 km by road)

- discussion about a possible transport of euro banknotes from Austria began already in 2007
- whole process of acquiring euro banknotes was strictly in accordance with the ECB Frontloading Guideline



Acquiring of euro banknotes

Agreement on borrowing of euro banknotes from the Eurosystem signed on 18 August 2008

- together 188 mil. euro banknotes worth more than 7 bn. EUR were delivered to NBS vaults within 3 transport days
- transports were secured by Austrian and Slovak special police forces



Acquiring of euro coins (how many?)

EMI method was not appropriate

we had to consider:

- 20, 50 and partially 100 Slovak banknotes were replaced by euro coins
- how many coins in circulation really fulfill its transactional function
- how long has the coin circulation been built

We look also at average hoarding in:

- euro zone
- new member states of European union
- countries similar to Slovakia (number of inhabitant, GDP, denominational split)



Acquiring of euro coins

€uro coins with Slovak sides were minted in Mint of Kremnica (Slovak Mint)

- together 500 mil. pieces of euro coins with a face value of 165 mil. euro were minted
- total weight of euro coins minted exceeded 2400 tons



Frontloading

- based on contractual arrangements and fully in accordance with ECB Frontloading Guideline
- realized between 6 September – 29 December 2008
- together 16 banks were frontloaded –
Agreements signed in the course of June 2008



Frontloading

- desired amount and denominational split of euro cash were calculated by banks in four-round assessment (twice in 2007 and twice in 2008)
- final assessment from May 2008 was part of a frontloading contract



Frontloading euro banknotes

- realized between 7 October – 29 December 2008
- together more than 51 mil. pieces of euro banknotes with a face value of 950 mil. euro were delivered to banks

NBS carried 20 transports of euro banknotes for 5 banks

- the share of 3 biggest banks on overall volume of euro banknotes frontloaded was more than 77% in value terms (80% in terms of pieces)



Frontloading euro coins

- realized between 6 September – 29 December 2008
- together more than 283 mil. pieces of euro coins with a face value of 98 mil. euro were delivered to banks (weight more than 1400 tons)
- temporary NBS sub-branch in Kremnica was created in order to ensure efficiency and cost-saving



Frontloading euro coins

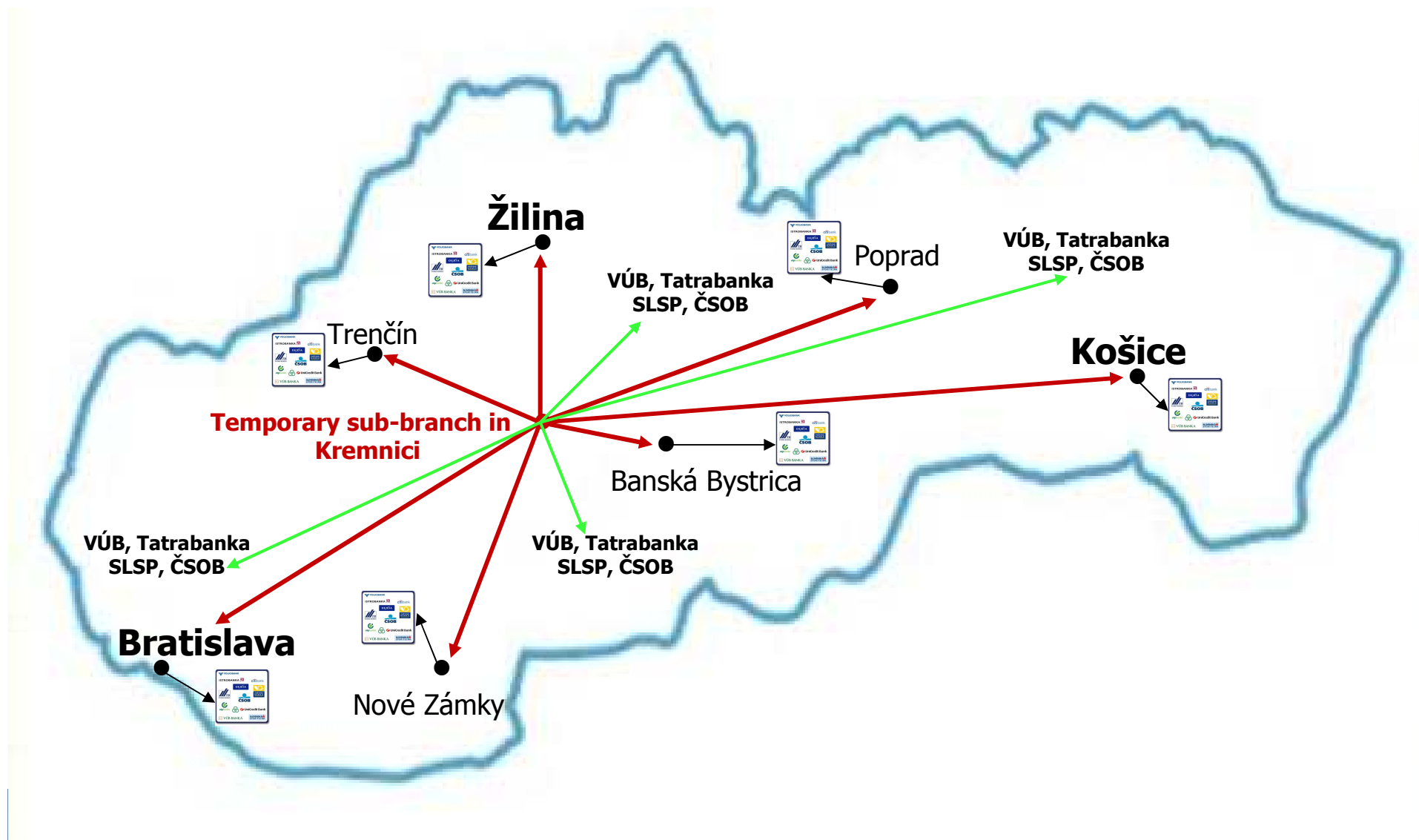
- together 208 transports of euro coins were performed from temporary sub-branch in Kremnica, from which:
 - 135 for commercial banks
 - 73 for NBS branches

frontloading with euro coins concentrated in October and November 2008

- three biggest banks were completely frontloaded from temporary sub-branch in Kremnica



Distribution of euro coins





Sub-frontloading

realized on contractual arrangements between banks and sub-frontloading entities

banks were responsible for choosing clients to be sub-frontloaded and for the wording of an agreement on sub-frontloading (in accordance with Frontloading Guideline)

realized between 28 October and 31 December 2008



Sub-frontloading

banks delivered to their clients:

- 14,3 mil. pieces of euro banknotes with a value of 225 mil. euro and
- 195 mil. pieces euro coins with a value of 66 mil. euro

2/3 of all frontloaded euro coins were subsequently delivered to bank's clients

together 14 000 entities were sub-frontloaded



Starter kits

product that

- facilitates the cash changeover
- gets public familiar with the national sides of euro coins

worth 500 SK (16,60 €)

consisted of 45 euro coins (each nominal value)



Starter kits

- exact structure set after announcing irrevocable exchange rate
- together 1,32 mil. starter kits were produced by the Mint of Kremnica

■ sold by banks, Post office branches and to a minor extend by NBS as of 1 December





Withdrawal and destruction of Slovak koruna

more than 77 bn. SK was in circulation at end 2008 – equals to 50% of circulation at end 2007

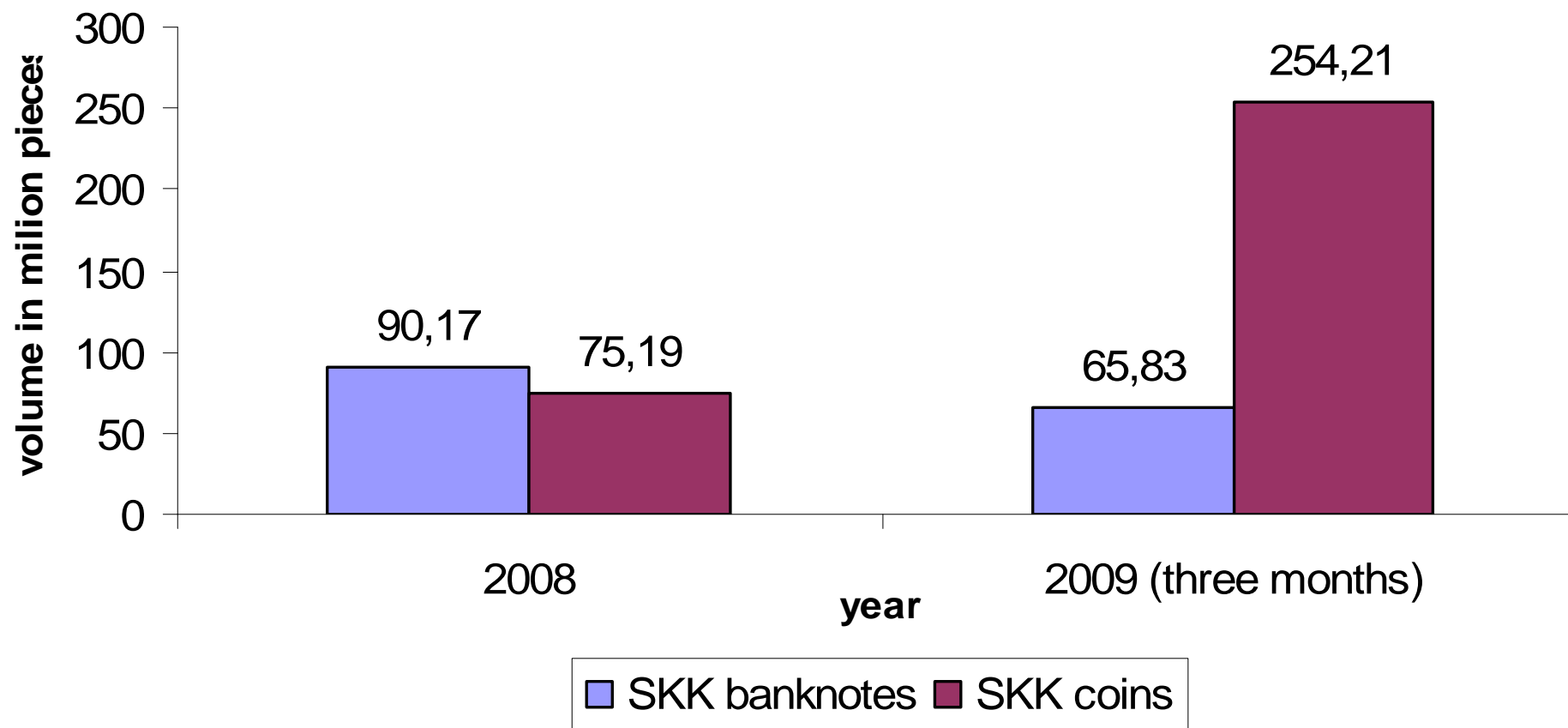
in January 2009 more than 61 bn. SK was withdrawn from circulation – equals to 79% of circulation at end 2008

NBS destroyed between 1 January 2008 and 31 March 2009:

- 156,0 mil. pieces of SK banknotes (156 tons)
- 329,4 mil. pieces of SK coins (1 518 tons)



SK banknotes and coins destroyed





Withdrawal and destruction of Slovak koruna

banknotes were destroyed:

- on banknote processing machines (on line shredding)
- high-capacity shredding unit
- burnt by external companies

coins were demonetized in Mint of Kremnica and subsequently sold as secondary material



First hours and days of euro

- cash changeover process ran smoothly and without any serious incidents
- at 2 am 1 January 93% of all ATMs were ready to dispense only euro banknotes
- 3 days after €-day 100% of ATMs dispensed only euro
- most of bank branches were opened in New Year's day, first two weekends 2009 and on 6 January (Bank holiday)
- NBS opened at weekends (also open on 6 January):
 - 3 - 4. 1. (mainly for lodgments of SK)
 - 10 – 11. 1. (lodgments SK + dispensing euro)

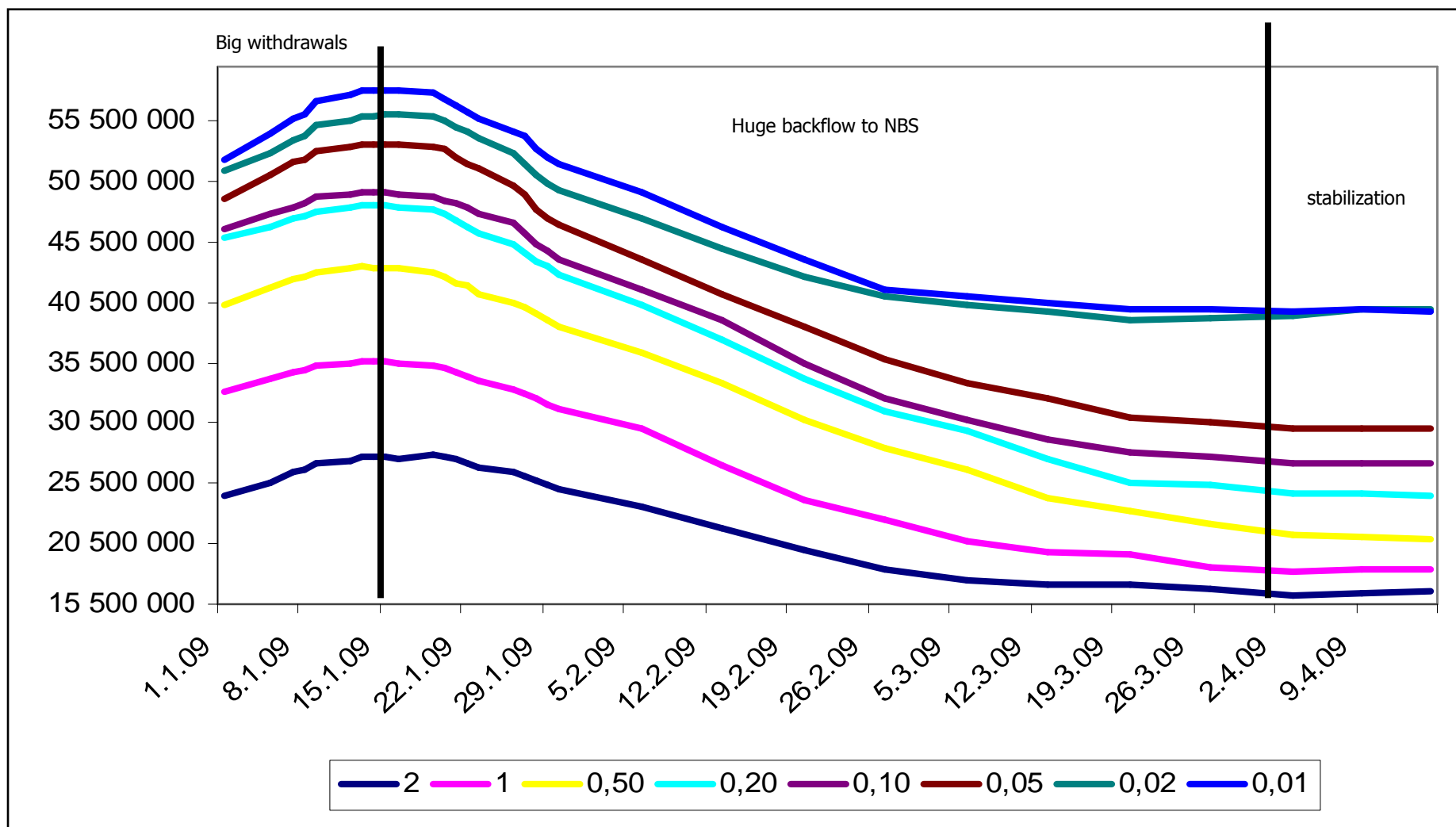


Evolution of circulation after €-day – coins

- big withdrawals of euro coins (all nominal values) in first two weeks after €-day
and
strong backflow of the same coins in the middle of January
- significant demand from abroad – more than 10 mil. euro coins were sold (excluding starter kits and commemorative coins)



Evolution of circulation after €-day – coins

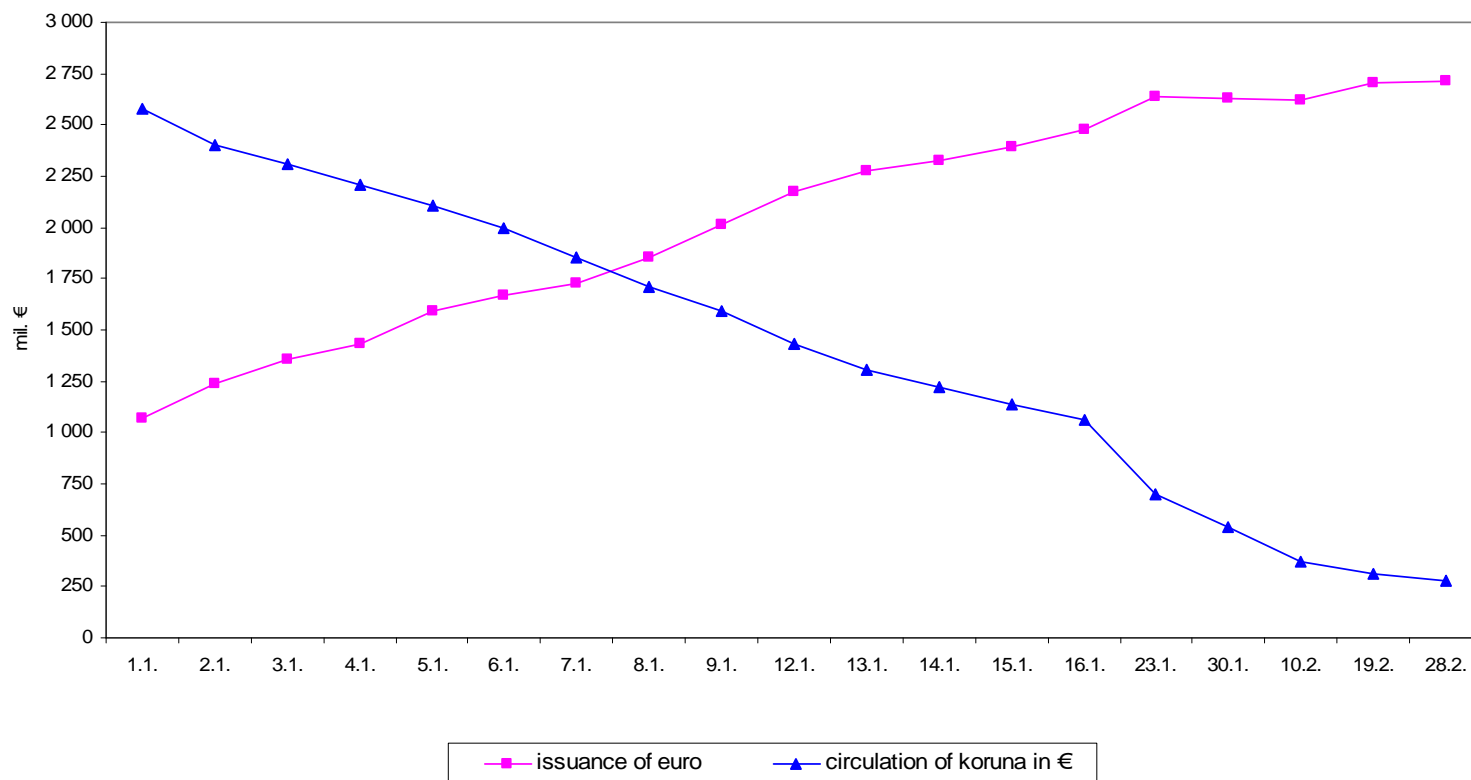




Euro vs. Slovak koruna

more than 2,7 bn. EUR in circulation by end-February 2009 and
8,4 bn. Sk (278,8 mil. EUR)

Slovak koruna vs. Euro in first days of 2009





Crucial points for successful changeover

Consistent and good preparation

Involvement of all stakeholders

Timing

Logistics

Contingency



Thank you for your attention!