

# Preparing the financial sector in Germany



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## 2 Start of preparations

### Stage 1

1 July 1990

- Free movement of capital
- Closer cooperation between NCBs
- Statutes of the ESCB, ECB and EMI

### Stage 2

1 January 1994

- Establishment of the European Monetary Institute (EMI)
  - Coordination of national monetary policies
  - Preparation of Stage 3
- Statutory independence of the NCBs

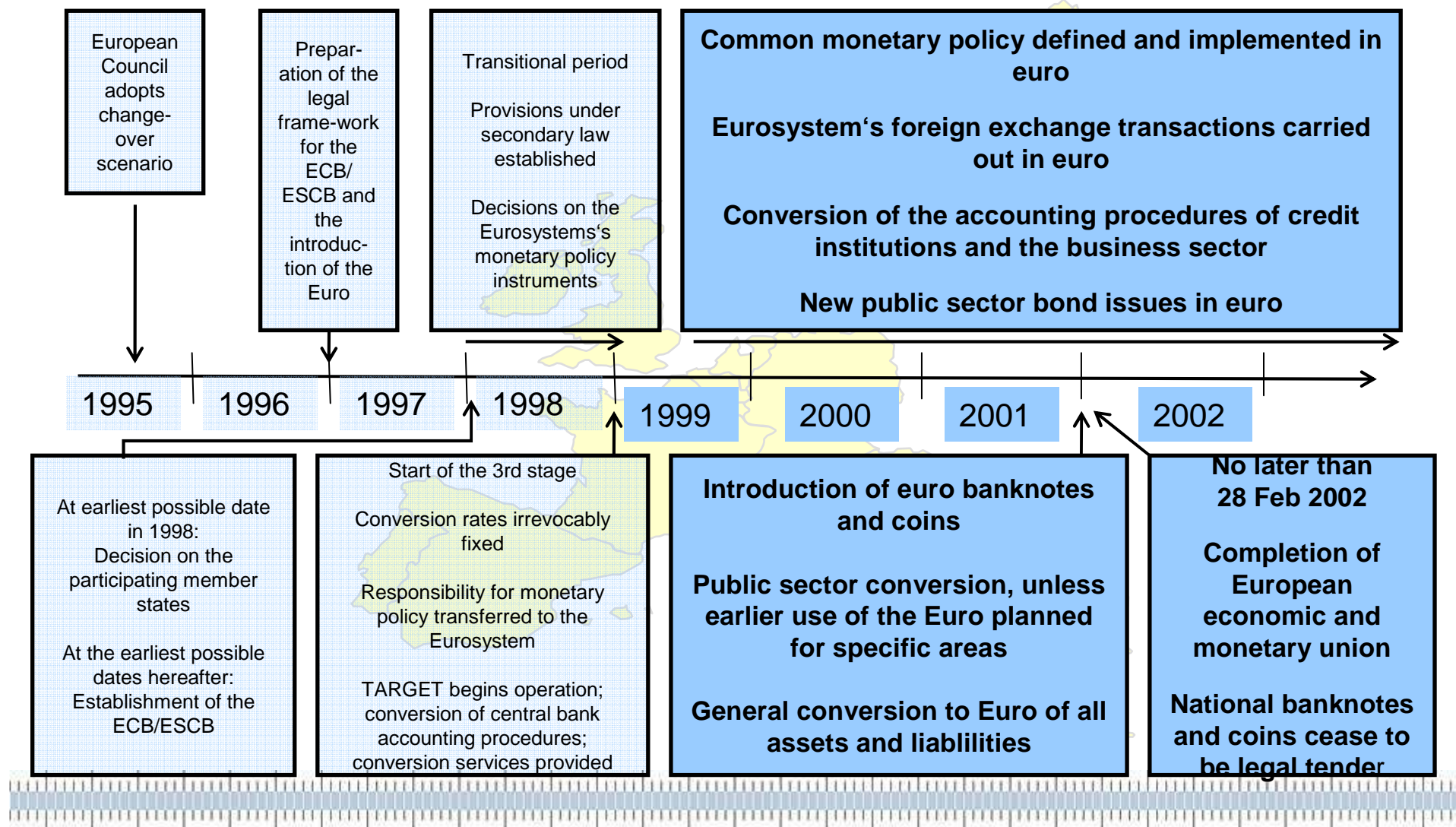
### Stage 3

1 January 1999

- Conversion rates irrevocably fixed
- Single monetary policy
- Changeover to the euro as sole legal tender from 1.1.2002



### 3 Transition scenario of the participating member states: detailed timetable



### 3 Transition scenario: Principles

- ✓ **No prohibition, no compulsion:** there was no compulsion to use, nor any prohibition from using, either the Euro or the national currency during the transition period
- ✓ **Subsidiarity principle:** decentralised preparation of changeover
- ✓ **Avoidance** of competitive **distortions**
- ✓ Euro changeover should be **technically feasible** and **economically reasonable**





## 4 Preparing stage 3a: monetary policy, capital markets and payments in Germany

### Integration of national capital markets into a European market

- ✓ „Joint statement on market conventions for the Euro“: development of harmonised market conventions by the leading European market associations
- ✓ Creation of new reference interest rates: EONIA and EURIBOR
- ✓ Conversion of outstanding bonds into euros and issue of new bonds denominated in euro
- ✓ Conduct of foreign currency transactions in euros and abolition of national foreign exchange markets
- ✓ Substitution of the German discount and Lombard rate and other adjustments to the modified general regulations regarding the range of services provided by the Bundesbank

## 4 Preparing stage 3a: monetary policy, capital markets and payments in Germany



### New developments in stage 3a concerning „payments“

- ✓ January 1999: Launch of the European large-value payment system TARGET
- ✓ Provision of conversion facilities by the Bundesbank
- ✓ Modernisation of services offered: launch of RTGS+ in 2001



## 5 Preparing stage 3b: cash changeover in Germany

**Decision:** „Big-bang-scenario“

**Intention:**

✓ No delivery of Euro cash and no withdrawal of DM cash  
solely around 1 January 2002

✓! Spacing out the cash flow !

**Measures taken:**

✓ Encourage citizens to pay hoarded cash into their accounts early

✓ Frontloading and subfrontloading agreements with credit  
institutions

✓ Production of „starter-kits“ for the population

**German experience:**

✓ Unexpected behaviour of the German citizens directly after the  
cash changeover



## 6 Conclusion

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### **Taken as a whole, the Bundesbank...**

- ✓ ...always had the intention to have a clear script for the changeover
- ✓ ...always involved representatives from all stakeholders
- ✓ ...always cooperated positively/ well and trustfully with them



