



## The Key Issues to Consider

*The introduction of the Euro as a replacement for the Slovak Crown will mark the final step along Slovakia's road towards full integration into the European Economic and Monetary Union (EMU).*

The adoption of the Euro in Slovakia will be unique and will include certain differences that did not occur in other Euro zone countries. These include:

- The method of the Euro changeover - the so-called "Big Bang" scenario
- A very short period of dual circulation – 16 days compared to 2 months in other countries

Overall, the changeover to the Euro represents a considerable challenge for all businesses since changes across the whole organization are necessary. The Euro will impact corporate strategy, business processes and IT systems.

The degree of impact depends not only on the extent of a firm's involvement in foreign trade, but also on its size, the industry in which it operates and the complexity of its internal processes and systems.

Experience shows that Euro changeover projects can take up to 12 months from start to finish. It is therefore important that corporations start their preparations as soon as possible. Below are some of the tasks that corporations will have to complete during the changeover:

- **Product Pricing Management** – set up dual price display and modify existing prices (rounding) in accordance with the national changeover plan; redesign relevant marketing materials, and/or recalibrate loyalty program thresholds
- **Cash, payment cards and changeover logistics**
  - Ensure a sufficient quantity of Euro banknotes and coins at each location
  - Modify payment and loyalty cards to be able to process Euro denominated transactions
  - Adjust POS terminals to be able to handle Euro transactions
  - Convert client accounts and products from SKK to Euro without affecting the account number
- **Accounting and Tax** - set up new and/or modify existing bookkeeping and accounting rules; consider tax and accounting treatment of conversion costs, plan for the optimal tax treatment of exchange gains and losses result-

ing from conversion and tax compliance for the non-calendar year end accounting periods

- **Finance and Treasury** – modify internal and external reporting, conduct a review of treasury operations and contracts denominated in SKK; conduct a review of treasury limits and reports
- **Investments** – recalculate all SKK denominated securities to Euro nominal values ; recalculate and replace market indices (the expiry of BRIBOR and introduction of EURIBOR)
- **Information Systems** – identify all IT systems affected by the Euro conversion, analyze and execute all necessary changes; pay close attention to the planning and testing of the system changes.
- **Legal** – review and modify product terms and conditions; conduct a review of contractual agreements with business partners
- **Forensic and Fraud** – review anti-money laundering policy, strengthen fraud prevention testing during the conversion phase and conduct a review of suspended accounts
- **Human Resources** – modify employee contracts; provide sufficient training regarding Euro related changes to all levels of the organization
- **Risk Assessment** of the above mentioned areas

Besides the impact on corporate processes and procedures, the conversion to the Euro also presents corporations with a multitude of business and internal opportunities:

### Business Development Opportunities

- Entry into new markets within the Euro zone
- Acquisition of new customers from abroad
- Introduction of new business models
- Introduction of new products and services and/or consolidation of existing ones

### Business Process Opportunities

- Reorganization of business processes
- Reorganization within IT Department (project integration)
- Better financial planning due to elimination of foreign exchange risk

In approaching a typical Euro conversion project it can be helpful to divide the project into the following phases – Euro Project Setup, Transition Strategy Definition, Impact Analysis, Opportunity Analysis and Definition of the Master & Communication Plan.

In the Euro Project Setup phase, one should concentrate on establishing the project organization, infrastructure and governance. The Transition Strategy Definition phase serves as an opportunity to perform a high level AS-IS analysis of the company's product portfolio, together with a high level risk review. Based on these results a strategy can be formulated to develop a coordinated approach to the Euro changeover.

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The impact analysis phase should focus on analyzing the impacts of the Euro changeover on the business areas, e.g. products, marketing, accounting, finance, IT systems, etc. The result of this phase should be a list of impacts with an assigned criticality and a cost estimate for their mitigation.

The goal of the opportunity analysis phase is to identify instances where the Euro changeover can be used to attain a competitive advantage, either through the introduction of new products, the enhancement of existing ones or by streamlining existing processes.

The result of the phases above should be a Master Project Plan, responsible for guiding the organization through the Euro changeover period and a Communication Plan defining what and when to communicate to employees, the general public and regulators. By completing all of the above phases, an organization can not only ensure a smooth transition towards the Euro, but also use it to its advantage.

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