

DONATO MENICHELLA CENTRE

*Conference on the euro*

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In just over three months' time, on 1 January 2002, euro banknotes and coins will start to circulate in Italy and the other euro-area countries. This will be the tangible effect of the adoption of the single currency in January 1999, when eleven countries, joined later by Greece, agreed to pool their monetary sovereignty.

1. Dual circulation. The new means of payment will initially coexist with banknotes and coins denominated in lire, which will be gradually withdrawn from circulation.

The period of "dual circulation" will come to an end on 28 February 2002. From 1 March the lira will no longer be legal tender. It will nonetheless continue to be possible to convert lira banknotes into euros: for a period and in the manner to be defined at banks and post offices, and for ten years at the Bank of Italy. Until 31 March 2002 it will also be possible to exchange banknotes of the other euro-area countries.

It is important that the changeover operation should proceed smoothly and gradually, over a reasonable lapse of time. There is no need for citizens to crowd into banks, post offices or the Bank of Italy in the first few days.

2. The currency and social cohesion. The currency is a crucial component of a sovereign country's identity and a powerful factor of social cohesion. Accepting payment in cash is an expression of trust in others and the country's institutions. This mutual trust and confidence in the organization of the state are the very essence of a system in which free trade is a means of achieving progress.

The significance of the introduction of euro notes and coins far outweighs the technical and operational problems involved. The replacement of twelve national currencies by the euro — the renunciation of national monetary sovereignty — will lead not only to closer relations between the area's financial markets but also to greater understanding and cooperation between the societies and peoples of the member countries.

3. *The euro and economic integration.* I do not intend to describe all the progress that has been made in the integration of the European economies, but I would like to stress the persistence that generations of Europeans have shown in their hopes and actions.

To enhance the value of common traditions and roots while opening to the rest of the world and to innovation is the founding principle of the European Union. It is reflected in the characteristics of the single currency: the denomination, the emblem and the physical features.

The name “euro” conjures up “Europe” in all the area's different languages.

The emblem, the arc with the two horizontal bars, evokes the letter epsilon in the Greek alphabet. It thus conjures up the classical culture that permeates western civilization. At the same time the two bars suggest monetary stability, the primary objective of the Eurosystem.

The banknotes are illustrated with windows, portals and bridges in the various architectural styles of our past; they are symbols of our common heritage, of the spirit of openness and cooperation that animates the European peoples.

4. *The role of the national central banks.* The introduction of a new currency requires the maximum cooperation of the institutions involved, of the worlds of business and commerce, and of the public. But for the operation to be successful, for the new currency to be accepted, confidence in the institutions charged with its management is indispensable.

Among these, the national central banks making up the Eurosystem play a crucial role. The tradition of competence, rigour and independence they contribute is of fundamental importance to ensure that the tricky changeover to the new currency takes place in an efficient and secure manner.

5. *The involvement of the Bank of Italy.* The Bank of Italy is called upon to make a major effort in the currency changeover in Italy.

In view of the scale of the legislative, organizational, productive, logistic and security problems and of the far-reaching need for communication, the Bank — in collaboration with the Ministry for the Economy and Finance, the Euro Committee and the Italian Bankers' Association — has been engaged at length in preparing for the event, as Italy's bank of issue and as the authority responsible for banking supervision and oversight of the payment system.

The coordination of the whole operation within the Bank has been entrusted to a Committee made up of representatives from all the Departments involved in the changeover.

The operational phase was preceded by a survey of all the activities to be performed in the changeover and the identification of the critical tasks, to be monitored

with special care. The time needed to complete each activity has been estimated and contingency plans drawn up.

By the end of the year a task force will have been set up within the Bank ready to tackle any problems that arise. This group will collaborate with the similar group already set up at the European Central Bank and with those that will be created at individual banks and some national organizations.

6. *The supply of euros.* As the bank of issue, the Bank of Italy must guarantee an adequate supply of euro banknotes in terms of their quantity, quality and distribution throughout the country in a way that will permit a smooth transition to the new currency.

The delivery of euro banknotes to financial intermediaries will be handled by the branches of the Bank of Italy, while that of euro coins will be handled by the Ministry for the Economy and Finance.

Italy's 42,000 bank branches and post offices will be responsible for distributing the new notes and coins to the worlds of business and commerce and to the public. Most of the 34,000 ATMs installed in the banking and postal systems will add to the distribution of the smaller denomination euro notes to the public from the early hours of 1 January 2002 onwards.

In order to cope with these demands, the Bank has strengthened its production and distribution structures, made changes to the production cycle, adopted new technologies and introduced a quality control system complying with international standards and the strict criteria established by the European Central Bank. Considering a single shift and the present mix of banknotes, the annual production capacity of the Bank of Italy's printing works is 1.2 billion.

The annual capacity needed to select and destroy the existing lira banknotes is equal to 2.6 billion.

The printing of the last Italian banknotes, the 5,000 lira denomination, was completed on 27 July 2000. After more than 150 years the involvement of the Bank and its predecessors in the production of lire came to an end.

Production of euro banknotes had already begun on 1 July 1999 and it was continued in parallel with that of the lira notes that will be needed through 31 December 2001. The introduction of the new notes will permit the withdrawal of the 3.5 billion lira notes the public will be holding at the start of the period of dual circulation.

Of the initial production quota of 2.4 billion euro notes assigned to the Bank of Italy (out of a total target of 14.5 billion for the Eurosystem as a whole), 1.976 billion had been produced by 15 September 2001, which is already enough to meet the initial needs of the changeover. The vaults of the Bank's branches already contain 1.304 billion notes for a total value of 57 billion euros. Shipments will continue during the early months of next year. The Carabinieri are ensuring their security with a task force and special equipment.

The delivery of banknotes to banks and post offices will begin on 1 November 2001.

On the basis of their own estimates, at the beginning of the changeover period banks expect to hold 970 million of the new notes for a total value of 19.5 billion euros, the bulk of which will be in the smaller denominations. The figures for post offices are 62 million and 2 billion euros. The overall quantity is equal to 43 per cent of the total production quota.

In order to facilitate the diffusion and use of the new notes, the Bank of Italy is preparing 1.5 million packets containing 25 five-euro notes for distribution to financial intermediaries and hence to the public.

The Ministry for the Economy and Finance, the Bank of Italy and the Italian Bankers' Association are completing the implementing regulations for banks and post offices on the exchange of national notes and coins.

Other Bank of Italy projects directly related to the replacement of the lira are also in their final stages: the revision of its internal rules and regulations; the in-house training of more than 900 cashiers, participation in the training of more than 14,000 employees of other organizations (banks, post offices, police forces and supermarkets), and the euro information campaign.

In order to prevent the replacement of the lira being used as an opportunity to exchange counterfeit notes and money deriving from illegal activities, the Bank of Italy and the Italian Foreign Exchange Office have stepped up their controls from the beginning of this year in collaboration with financial intermediaries,.

7. *The Bank of Italy and the banking system.* In March and June of this year the Bank of Italy sent out questionnaires to banks asking for information on the planning and monitoring of their preparations for the changeover, the stage they had reached in carrying out the various activities, the human and financial resources committed, and the difficulties encountered.

The Chairman of the Italian Bankers' Association will describe in detail the state of readiness of the banking system.

Overall, the information gathered by the Bank's Supervision Department provides a reassuring picture that is in the process of improving further.

All the banks in Italy expect to complete their planned activities on schedule. In June the majority of banks reported that they had completed between 70 and 80 per cent of their critical tasks, with those furthest forward reporting between 82 and 83 per cent; there were only a few laggards. Towards the end of the year, many banks, especially among the larger ones, intend to set up branch support and crisis units and to assign additional resources for the assistance of customers.

The Supervision Department will continue to monitor progress and spur on any banks that should fall behind.

8. *The information campaign.* The success of the changeover will depend crucially on the demand for the new currency. It is important that this be sufficient, spread out over the country and spaced out over time.

Avoiding a concentration of demand in just a few days and places requires a drive by the institutions concerned but above all by the mass media: newspapers, radio and television.

For the changeover to take place without serious hitches, the public must be given accurate and detailed information, with a clear content and in a comprehensible language, using the most appropriate channels of communication. Detailed explanations must be provided on how to use the euro in daily transactions as regards, for example, methods of rounding, the way to fill in cheques and how to avoid being duped by counterfeit notes and fraud.



At the end of August the European Central Bank increased the information available to citizens by disclosing the safety features of the new notes. In the interval from now until 1 January 2002 communicating with the public will be the top priority in all the Eurosystem countries of the organizations involved in the handling of the replacement of the various national banknotes.

The Bank of Italy will focus primarily on ensuring widespread knowledge of the visual, tactile and security features of the new notes and of the methods for exchanging lire into euros. This action will be supplemented by the initiatives to prepare citizens for the new common currency that are planned by government authorities, public agencies, trade associations, large companies and, above all, the Euro Committee at the Ministry for the Economy and Finance. As part of the Euro 2002 Information Campaign organized by the European Central Bank, the Bank of Italy, together with the other national central banks, is moving in three main directions:

- 1) the creation of a network of public and private entities taking part in the Partnership Programme launched by the European Central Bank, under which participants relay the information initiatives of the ECB and the Bank of Italy to their employees and customers. As of today, some 200 organizations — banks, companies in industry, retailing and services, the Post Office, trade associations and local authorities — have signed up;
- 2) the mailing to all Italian households and selected categories of citizens, starting next week, of descriptive material and a manual on the euro prepared by the ECB and produced directly by the Bank of Italy. The “Guida all’uso del nuovo segno monetario” you have been given today is a means of learning about the euro that the Bank has prepared;

- 3) the build-up of contacts with the media aimed at supplementing the institutional dissemination of information, of which today's meeting is a particularly important example. The Bank hopes that the new banknotes and the changeover will be given increasing coverage in newspapers and magazines and in television and radio programmes with high audience ratings.

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The introduction of euro notes and coins is the conclusion of a process that has already passed important tests.

It is necessary that the institutions and organizations involved should not underestimate the difficulties. In particular, it is up to the monetary authorities to keep up their efforts. In the short time that is left they must intensify the dialogue and collaboration both with producers and distributors and with the public.

It is my hope that citizens will be informed and confident as the new currency comes into use and see the changeover as a shared achievement that strengthens the cultural and historical ties between Italy and the other European countries.