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An Introduction to the Euro

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I. INTRODUCTION

On January 1, 1999, the international currency known as the euro replaced the currencies of eleven European Union (EU) countries,[1] creating a single European currency for the first time since the Roman Empire.[2] The euro will likely become an influential international currency and, due to the size of its market, may rival the U.S. dollar in international trade.[3] The initial impact of the euro will be subtle in the United States,[4] but the long-term financial and economic effect of a single European currency on global trade is likely to be profound.[5] The effects of conversion to the euro presents some interesting challenges for American financial institutions including

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1. *See* Thomas Sancton, *Betting on the New Euro; Savvy U.S. Investors See Opportunity in Europe's First Unified Currency*, TIME, Nov. 9, 1998, at 82; *Germany: The Euro: An Overview*, INT'L MKT. INSIGHT TRADE OPPORTUNITIES INQUIRIES, Sept. 18, 1998, *available in* 1998 WL 12212270 [hereinafter *The Euro*]. Fifteen countries are currently members of the European Union: Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Finland, Austria, Sweden, and the United Kingdom (U.K.). *See* Rebecca H. Marek, *Continuity for Transatlantic Commercial Contracts After the Introduction of the Euro*, 66 FORDHAM L. REV. 1985, 1988 n.14 (1998) (citing GEORGE A. BERMANN ET AL., CASES AND MATERIALS ON THE EUROPEAN COMMUNITY LAW 5 (1995)). Eleven of those countries adopted the euro on January 1, 1999. *See The Euro*, *supra*. The U.K., Sweden, and Denmark did not adopt the euro. *See id.* Greece did not meet the criteria to join in using the single currency. *See id.*

2. *See* David R. Francis, *Will the Euro Create New World Order?*, CHRISTIAN SCI. MONITOR, Jan. 4, 1999, at 1.

3. *See* Sancton, *supra* note 1, at 82; Gary Lee, *Euro: Time for Change? Well, No. At Least Not Yet*, WASH. POST, Jan. 3, 1999, at E1. The countries in the European Union have a total population of over 370 million and a combined Gross Domestic Product (GDP) of $8.4 trillion. *See* Lee, *supra*, at E1. By comparison, the United States has a population of 263 million and a GDP of $7.3 trillion. *See id.* The "euro zone" will control roughly 20% of the world's GDP and 20% of world trade. *See* The Honorable Leon Brittan, Vice-President of the European Commission, *Europe and the United States: New Challenges, New Opportunities*, Speech before the Foreign Policy Association in New York (Sept. 23, 1998) (transcript available in LEXIS, Intlaw Library, RAPID file).

4. *See* Francis, *supra* note 2, at 1. For example, stocks and bonds of European companies will be priced in euros, and bank accounts will be stated in euros. *See id.*

5. *See* Ian Finch, *Trade Finance*, BANKER, Sept. 1, 1998, at 32, *available in* 1998 WL 14081767.

solving technological problems as they arise and preparing customers for the conversion; nevertheless, the conversion has also opened the door to investment and financing opportunities of which euro-ready American banks can take full advantage.[6]

This Note examines the effect that the introduction of the euro will have on financial institutions both in Europe and the United States. Part II discusses the formation of the new financial system under the European Monetary Union (EMU).[7] Part III considers the general effects that the new EMU will have on the countries within the EU as well as other European countries.[8] This section will also consider problems that may arise after the introduction of the euro.[9] Part IV concludes with a discussion of how American banks might prepare for the introduction of the euro and exploit available opportunities.[10]

II. BACKGROUND ON THE EURO

The EU is the political body of the unified European member states.[11] In 1992, the EU member states signed the Treaty on the European Union (TEU), also known as the Maastricht Treaty.[12] The

6. *See* Finch, *supra* note 5, at 32; Melissa Wahl, *Historic Weekend, With a Sizable Tab For Many Banks, Europe's Conversion To a Joint Currency Provides a Substantial Headache, As Well As A Golden Opportunity*, CHI. TRIB., Dec. 31, 1998 at 1, *available in* 1998 WL 23520518.

7. *See infra* notes 11-36 and accompanying text.

8. *See infra* notes 37-112 and accompanying text.

9. *See infra* notes 62-71and accompanying text.

10. *See infra* notes 115-48 and accompanying text.

11. *See* Marek, *supra* note 1, at 1989. The member countries formed the EU after World War II in hopes of preventing future wars between the countries in Europe. *See id.*; *see also* CLIVE ARCHER & FIONA BUTLER, THE EUROPEAN UNION 17 (1996) ("The main task facing European politicians were those of building a prosperous, peaceful and free Europe."). The original membership of the EU included six countries: France, Germany, Italy, Belgium, the Netherlands, and Luxembourg. *See* Marek, *supra* note 1, at 1988 & n.11. Over time, the membership has increased and the original treaty has been amended, resulting in an integrated union of countries doing much more than just resolving political conflicts. *See id.* at 1988-89.

12. *See* TREATY ESTABLISHING THE EUROPEAN COMMUNITY, Feb. 7, 1992, O.J. (C 224) 1 (1992), [1992] 1 C.M.L.R. 719 (1992) [hereinafter EC TREATY]; ARCHER & BUTLER, *supra* note 11, at 32; Marek, *supra* note 1, at 1990. *See also* Jan Meyers & Damien Levie, *The Introduction of the Euro: Overview of the Legal Framework and Selected Legal Issues*, 4 COLUM. EUR. L. J. 321, 325 (1998). The Maastricht Treaty amended the original treaty by establishing the European Economic Community. *See* Meyers & Levie, *supra* at 325.

main objective of the TEU is

> [t]o promote economic and social progress which is balanced and sustainable, in particular through the creation of an area without internal frontiers, through the strengthening of economic and social cohesion and through the establishment of economic and monetary union, ultimately including a single currency in accordance with provisions of this Treaty.[13]

The TEU established a three-stage process that enabled member states of the EU to create the EMU,[14] an economic and monetary union, by the turn of the century.[15] The three-stage framework eventually led the member states to the adoption of a common currency, the euro.[16]

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13. EC TREATY, *supra* note 12, art. B. *See generally* Dieter Kugelmann, *The Maastricht Treaty and the Design of a European Federal State,* 8 TEMP. INT'L & COMP. L. J. 335 (1994) (discussing whether the European Community treaty will lead to Europe becoming a federal state); Frederic J. Jouhet, *The Maastricht Treaty on European Union - Is Western Europe Truly Getting Closer to Unity?,* 1 COLUM. J. EUR. L. 285 (1995) (discussing the main provisions and complexities of the European Community).

14. The European Monetary Union is the vehicle by which the countries of the European Union will unite their currencies. *See generally* Daniel P. Cunningham & Thomas J. Werlen, *The Euro, in* 30TH ANNUAL INST. ON SECURITIES REGULATION, at 55, 57 (PLI Corp. L. & Prac. Course Handbook Series No. 1085, 1998).

15. *See* ARCHER & BUTLER, *supra* note 11, at 89; Meyers & Levie, *supra* note 12, at 322. The first stage of the economic convergence described in the EC TREATY took place from 1990 to 1993. *See* ARCHER & BUTLER, *supra* note 11, at 89; Meyers & Levie, *supra* note 12, at 325. During this stage, free movement of capital between the member states eliminated many obstacles of trade. *See* ARCHER & BUTLER, *supra* note 11, at 89; Marek, *supra* note 1, at 1991 (citing David Currie, The Pros and Cons of EMU 17-21 (1997)). The EU accomplished this through reductions in currency controls. *See* Marek, *supra* note 1, at 1991 (citing David Currie, The Pros and Cons of EMU 17-21 (1997)). The Maastricht Treaty's second stage began on January 1, 1994, and ended on January 1, 1999. *See* Stephen F. Mahoney, Note, *Second Attempts at European Monetary Union: Post - 1999 State Membership Through the Exchange Rate Mechanism,* 21 B.C. INT'L & COMP. L. REV. 201, 208 (1998); Marek, *supra* note 1, at 1992. During this stage, the EU created the European Monetary Institute (EMI). *See* ARCHER & BUTLER, *supra* note 11, at 92; Marek, *supra* note 1, at 1992. The EMI supervised the preparation for the transition to the EMU. *See* ARCHER & BUTLER, *supra* note 11, at 92; Marek, *supra* note 1, at 1993. On January 1, 1999 the third stage of the EMU began. At this time, the exchange rate between the participating countries and the euro was irrevocably set. *See* ARCHER & BUTLER, *supra* note 11, at 90; Marek, *supra* note 1, at 1995.

16. *See* ARCHER & BUTLER, *supra* note 11, at 89; Meyers & Levie, *supra* note 12, at 322. The three-stage framework also led to the adoption of a common monetary policy which a common bank, the European Central Bank (ECB), defines. *See* ARCHER & BUTLER, *supra* note 11, at 89.

On May 1, 1998, the Council of Ministers decided which countries would join the EMU. The decision was based on certain economic requirements known as the "convergence criteria."[17] Eleven of the fifteen EU countries satisfied the requirements and agreed to become members of the EMU.[18] Countries electing to join the EMU were Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, and Spain.[19] Three countries, United Kingdom (U.K.), Sweden[20], and Denmark met the criteria, but chose not to participate in this phase of the EMU.[21] Only one country, Greece, did not satisfy the requirements.[22]

The countries that chose not to join voiced objections that are central to the debate over the euro.[23] The U.K. feared losing

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17. *See* Werner Van Lembergen & Margaret G. Wachenfeld, *Economic and Monetary Union in Europe: Legal Implications of the Arrival of the Single Currency*, 22 FORDHAM INT'L L.J. 1, 6-7 (1998). Article 109j of the Maastricht Treaty describes the convergence criteria for membership into the EMU. *See id.* at 6; ARCHER & BUTLER, *supra* note 11, at 92; Marek, *supra* note 1, at 1992; *The Euro, supra* note 1. There are five convergence criteria. First, each candidate country was required to maintain its currency value within the range of established exchange rates for two years. *See The Euro, supra* note 1. Second, each candidate's long-term interest rates could not exceed 7.8% by more than 2%. *See* Arthur L Fisher & Kenneth C. Picciano, *The Euro is Coming: U.S. Companies May Be Caught Short by Complex Tax Issues*, 9 INT'L TAX'N 12, 14 (1998). The 7.8% rate was determined by averaging the long-term interest rates of the three EU member states with the lowest rates. *See id.* Third, for one year, the inflation rate of each member state could not exceed by more than 1.5 % the inflation rates of three member states with the lowest inflation rate. *See id.* Fourth, each candidate's official debt could not exceed 60% of its gross domestic product (GDP); alternatively, the percentage had to be lower than the previous year. *See id.* Finally, each candidate's national budget deficit could not exceed 3% of its GDP. *See id.*; *The Euro, supra* note 1. The countries believed that these requirements would ensure a stable economy.

The Council of Minister is the highest decision-making body within the European Union. *See* Fisher & Picciano, *supra*, at 3 n.4. The Council is comprised of the Heads of State and Government. *See id.*

18. The process to decide who was eligible to participate in the EMU involved the European Commission, the EMI, the Council and European Parliament. *See* Meyers & Levie, *supra* note 12, at 323; *see also The Euro, supra* note 1.

19. *See* Meyers & Levie, *supra* note 12, at 323. The trendy name for this group of countries is "Euroland." *See* Helene Cooper, *The Euro: What You Need to Know*, WALL ST. J., Jan. 4, 1999, at A5.

20. Interestingly, one source has stated that although Sweden chose not to join the EMU, Sweden might not have been eligible to join. *See* Van Lembergen & Wachenfeld, *supra* note 17, at 8 n.21. Sweden may not have met the convergence criteria because it does not have an independent central bank. *See id.*

21. *See id.*

22. *See id.*

23. *See generally* Luc Vernon, *The Euro from the "European Union's Point of View,"* 4 COLUM. J. EUR. L. 467 (1998) (discussing whether the euro is purely an economic

sovereignty over its national economy,[24] and did not want to link its currency to countries against which it had fought so many wars.[25] Moreover, the U.K. had less to gain from a single currency than the other member states. It does not have long borders on main trade routes, so fewer trade barriers will not benefit the U.K. as much as the countries on the continent.[26]

Sweden and Denmark were also skeptical about the euro.[27] Sweden had not seen many benefits from membership in the EU in general and was not sure the EMU would offer advantages.[28] EU member states may join the EMU at a later date should they meet the criteria,[29] and all three countries stated that they would hold referendums before finally deciding whether to adopt the euro.[30]

EU member states that elected to join the EMU began using the euro in January 1999. The euro is currently in the introduction phase, which will last until December 31, 2001.[31] The national currencies of the countries participating in the EMU are still used, but their values are now expressed as euros.[32] Thus, in this introductory phase, the euro is a "paperless" form of currency.[33] Beginning on January 1, 2002, euro bank notes and coins will begin to circulate within the participating member states.[34] The euro and the national

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change for Europeans, or whether the euro is political as well).

24. *See* Cooper, *supra* note 19, at A5.

25. *See id.*

26. *See* Graham Searjeant, *Cinderella Misses the Euro Ball*, TIMES OF LONDON, Dec. 31, 1998, at 31, *available in* 1998 WL 23404255.

27. *See* Steve Stecklow, *No Euros Please—We're British*, WALL ST. J., Jan. 4, 1999, at A6.

28. *See id.*

29. *See* Marek, *supra* note 1, at 1996 (citing Treaty Establishing the European Community, Feb. 7, 1992, O.J. (C 224) 1, [1992] 1 C.M.L.R. 573 (1992)) The criteria for qualification will remain the same for countries that later decide to join the EMU. *See id.* At the request of a member state wanting to join the EMU, the Commission and the ECB will report to the Council. *See id.* After consulting with the European Parliament and the Heads of State or of Government, the Council can accept a country into the EMU by a majority vote. *See id.*

30. *See* Stecklow, *supra* note 27, at A6.

31. *See* Meyers & Levie, *supra* note 12, at 327. The paper form of the euro will be gradually phased in, giving businesses sufficient time to convert from their national currencies. *See id.*

32. *See* Fisher & Picciano, *supra* note 17, at 14.

33. *See* Meyers & Levie, *supra* note 12, at 327.

34. *See* Fisher & Picciano, *supra* note 17, at 14; *The Euro, supra* note 1; *India and the Euro*, THE HINDU, Oct. 7, 1998, *available in* 1998 WL 15915368 [hereinafter *India*].

currencies will circulate simultaneously for six months,[35] and on July 1, 2002, the national currencies will no longer be legal tender in the member states.[36]

III. EFFECTS OF THE EURO IN EUROPE

A. *Effects on the Economy*

Proponents of the euro expect its introduction to benefit the member countries.[37] One expected benefit is that the European economies will see an increase in tourism.[38] Residents of the member states will find it easier to travel within the EU because they will no longer need to exchange currencies when traveling between countries, nor will they need to pay exchange commissions or risk currency fluctuations.[39] In addition, once a non-European tourist arrives in one of the EMU countries, she will only have to exchange currencies once.[40]

Proponents of the euro expect that a single currency will cause consumer prices to decrease.[41] Businesses will have lower overhead costs because they will no longer pay the exchange commission customarily charged when dealing with businesses in other countries.[42] Lower overhead costs will produce lower prices for consumers,

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35. *See* Fisher & Picciano, *supra* note 17, at 14; *The Euro, supra* note 1; *India, supra* note 34.

36. *See* Fisher & Picciano, *supra* note 17, at 14; *The Euro, supra* note 1; *India, supra* note 34.

37. *See* Marek, *supra* note 1, at 1997 (citing David Currie, The Pros and Cons of EMU 17-21 (1997)); *see generally* David Kenneth Brock, *Beyond Maastricht: The Long-Term Macroeconomic Impact of European Monetary Union,* 11 TRANSAT'L LAW. 107 (1998) (discussing the EU's decision to move ahead with monetary union and the long-term macroeconomic implications of that union).

38. *See* Marek, *supra* note 1, at 1997 (citing David Currie, The Pros and Cons of EMU 17-21 (1997)).

39. *See id.* (citing David Currie, The Pros and Cons of EMU 17-21 (1997)).

40. *See id.* at 1997 (citing David Currie, The Pros and Cons of EMU 17-21 (1997)).

41. *See id.* at 1998 (citing Association for the Monetary Union of Europe, EURO - Europe United Through A Single Currency (visited Jan. 26, 1998) <http://amue. lf.net/q_a/qa_engl.htm> [hereinafter Europe United]).

42. *See id.* (citing Association for the Monetary Union of Europe, *EURO—Europe United Through A Single Currency* (visited Jan. 26, 1998) <http://amue. lf.net/q_a/qa_engl.htm>)).

resulting in an increase in purchasing power for all doing business with member countries.[43] More purchasing power may lead to economic growth.[44]

Another benefit resulting from the introduction of the euro is that the commercial market may become more competitive.[45] With a single currency, the price differentials in goods among the European member countries will disappear.[46] Consumers will benefit because they will be better able to compare the prices of goods.[47] Before introduction of the euro, producers would "hide" the true price of their goods by pricing goods in a foreign currency.[48] Because exchange rates fluctuate, consumers had difficulty knowing the true price of goods.[49] Consumers were unable to comparison shop between different products.[50] The single currency will eliminate the practice of pricing goods in foreign currencies, and help consumers compare product prices.[51]

Eliminating price differentials will have other effects as well. One currency among these countries will reduce or eliminate price fluctuations and will encourage companies to plan their trading and long-term investments.[52] Companies will be able to rely on the euro and not fear that trade agreements will become unprofitable because of huge price fluctuations.[53] Companies will no longer worry about currency fluctuations when entering contracts[54] and long-term

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43. *See id.*

44. *See id.* at 1998.

45. *See id.*

46. *See id.* at 1999; Bert Roughton, Jr., *London's Business District Faces A Weekend Conversion,* DALLAS MORN. NEWS, Dec. 27, 1998, at 4H, *available in* 1998 WL 23045439.

47. *See* Marek, *supra* note 1, at 1998.

48. *See id.*

49. *See id.*

50. *See id.*

51. *See id.* Price uniformity is known as price transparency. *See* Lee, *supra* note 2, at E1.

52. *See* Henry T. Azzam, *A Single European Market: Implication for Banking and Finance in the Gulf,* MIDDLE E. EXECUTIVE REP., Feb. 9, 1998, at 9, *available in* WL, MEEXREP.

53. *See id.*

54. *See* Alessandro Prati & Garry J. Schinasi, *What Impact Will EMU Have on European Securities Markets?* (visited Sept. 28, 1998) <http://www.worldbank.org/fandd/english/0097/articles/0100977.htm>.

contracts will become more stable.[55] Eliminating price fluctuations will ease the fears of companies trading in Europe and result in more stable trading contracts.

A stronger European economy and improved trading with the euro could also result in rapid growth in the financial centers of Europe.[56] The stock and bond markets in Europe are predicted to expand, which will increase the prominence of these markets in the global market.[57] As markets expand, European investment banks hope to ride on the coattails of the markets, anticipating global expansion as the euro becomes more heavily traded.[58] European investment banks also hope to capitalize on the recent spark of interest in the European securities market after the euro was introduced. Interest in European securities is growing because the euro carries less "currency risk" than the currencies of the individual countries.[59] With less currency risk, investment bankers and investors have a more stable view of a European company's credit and are more likely to trust an investment in that company.[60] Increasing interest in investing will certainly benefit European businesses and investment banks.[61]

Although many see the introduction of the euro as having beneficial economic consequences for member countries, there may be problems lurking as well. Higher unemployment in Europe may result from the implementation of the euro as more companies will compete in the open markets forcing smaller, less efficient companies out of

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55. *See* Azzam, *supra* note 52.

56. *See id.* London will probably become the major financial center of the EMU. *See* Norbert Funke & Mike Kennedy, Organization for Econ. Cooperation and Dev, *International Implications of European Economic and Monetary Union*, at 10 (visited Sept 28, 1998) <http://www.oecd.org/ecolwp/edwp174.pdf>. London banks already have a highly qualified staff and their banks' strong performance should not decline. *See id.*

57. *See Opportunities and Challenges of the Euro,* THE HINDU, Sept. 23, 1998, *available in* 1998 WL 15914432 [hereinafter *Opportunities*]; Roughton, *supra* note 46, at 4H.

58. *See* Paul Ames, *Bank Employees Set Out To Work Overtime as European Union Braces for E-day*, J. COM., Dec. 23, 1998 at 2A. *See generally* Carl Lankowski, *Financing Integration: The European Investment Bank in Transition*, 27 LAW & POL'Y INT'L BUS. 999 (1996).

59. *See* Greg Steinmetz, *U.S. Firms, Honed Home Market, Are Poised to Pounce in the New Europe*, WALL ST. J., Jan. 4, 1999 at A5. Currency risk is "the chance that the currency might rise or fall in value. . . ." *Id.* at 7.

60. *See id.*

61. *See* Wahl, *supra* note 6, at 1.

business.[62] Larger competitors may have to cut the labor force and streamline their operations to stay competitive with their new rivals from other European countries.[63] Smaller producers and countries with high inflation may also face economic problems[64] as they have relied in the past on the ability to hide the price of goods in currency exchange fluctuations.[65] Now they may suffer economic hardship because the euro will eliminate these fluctuations and reveal the true price of goods.[66]

The single currency system of the EU may also create technological problems and cause headaches for small merchants.[67] Computer systems in Europe may not be prepared to convert the national currencies into the euro, which is a problem most acute for banks.[68] Problems also could arise with automatic teller machines, as

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62. *See Opportunities*, *supra* note 57 ("... foreign exchange and interest rates which limit cyclical fluctuations in employment levels in individual countries will no longer be available"). Unlike the United States, the labor force in Europe is not mobile. *See id.* The states that make up the United States are not as culturally diverse and Europeans do not view Europe as another "United States." *See id.* Europeans are not as likely to move from country to country as Americans move from state to state, although Europeans may do so legally throughout the EU. *See id.*; Cooper, *supra* note 24, at A6. Banking industry employees might be hit hard with layoffs: as banks do fewer traditional activities relating to multiple-currency transactions, the number of people needed to do these transactions will fall, resulting in some employees losing their jobs. *See TIAA-CREF Prepares for the Coming of the Euro*, INV. F., Summer 1998, at 1, 3-4. Overall unemployment actually may fall, however, because of the economic growth throughout the Union. *See* Marek, *supra* note 1, at 1998.

63. *See* David R. Cameron, *Political Implication: EMU After 1999: The Implications and Dilemmas of the Third Stage*, 4 COLUM. J. EUR. L. 425, 433 (1988).

64. *See id.*

65. *See id.*

66. *See id.* Because most of the stock and bonds markets will merge, smaller, inefficient businesses may find it hard to raise capital, which may hamper their growth potential in a more competitive market. *See id.* at 434. *But see* Gordon Platt, *Fast-growing Midsize Companies Say Capitol is Available, but Demand Lags*, J. COM., Jan. 20, 1990, at 8A ("Small businesses . . . will suddenly find themselves in a much stronger competitive position against their U.S. counterparts.").

67. *See Opportunities*, *supra* note 57. One aspect of technology that banks need to address is the new "Internet shopping" that could be done in euros. *See* Greg Steinmetz & Michael Phillips, *Birth of the Euro: Euro May Have Flip Side in Store for U.S.*, WALL ST. J. (Europe), Jan. 4, 1999 at 5, *available in* 1999 WL-WSJE 5504244.

68. *See Opportunities*, *supra* note 57. Some computer systems in the banks around Europe are not equipped to handle the conversion. *See* Robert Kunzig, *Euroland or Bust*, DISCOVER, Oct. 11, 1998, *available in* 1998 WL 14253526. Kunzig notes that "converting dollars to euros will require division, because there will be around 1.1 dollars to the euro." *Id.* "The program that now does the dollarfranc conversion at Credit Agricole, one of the world's leading moneychangers, cannot divide: it was designed only to multiply." *Id.*

banks will be changing currencies virtually overnight.[69] Merchants and vendors will have to contend with two national currencies circulating because dual pricing will be required.[70] Merchants must post signs stating the price of goods in both the euro and the native currency.[71]

B. *Effects on European Financial Institutions*

European commercial banks may experience a mixed bag of effects from the introduction of the euro. A single currency may lead to economic growth that could spur profits for European banks that reap the rewards of increased savings and investing in thriving economies.[72] Some analysts, however, believe commercial banks may experience many of the predicted problems associated with the introduction of the euro.[73] For example, some European computer systems are not equipped to handle decimals which may cause conversion problems because the euro is subdivided into 100 cents, similar to the U.S. dollar.[74] The introduction of the euro will require European banks to upgrade their computers to handle both dual ledgers and decimals.[75]

European commercial banks will no longer need to perform traditional duties, such as foreign exchange, with the introduction of a

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69. *See* Kunzig, *supra* note 68. "The bank's automatic tellers, meanwhile, will all have to be visited by technicians on or about January 1, 2002—not before, because until then they must spit out francs, and not much after, or else there will be irate customers." *Id.* Banks may have to replace many machines because the euro may be a different size from the current currency. *See id.* These changes could take a long time, particularly because the banks are already facing Year 2000 computer problems. *See Opportunities*, *supra* note 57.

70. *See* Kunzig, *supra* note 68. In 2002, when the euro currency is available to everyone, stores must accept both currencies. *See id.* Similarly affected are vending machine manufacturers, who are trying to calculate the most profitable time to convert their machines from accepting the national currency to accepting euros. *See id.* To help alleviate some of the conversion pain, "[l]obbyists for the industry have asked governments to keep providing old coins well into 2002 and to warn citizens to carry both types of metal." *Id.*

71. *See id.*

72. *See* Ames, *supra* note 58, at 2A.

73. *See* Finch, *supra* note 5, at 32.

74. *See* Scott Barancik, *Capital Briefs: Fed to Rate Banks on Preparedness for Euro*, AM. BANKER, June 17, 1998, at 2.

75. *See* Kunzig *supra* note 68.

single currency.[76] With fewer traditional activities to do, the need for numerous smaller, more individualized banks will be reduced.[77] These smaller banks may follow the trend in the U.S. and become acquisition targets as European banks begin to merge.[78] European bank mergers may also occur because commercial banks will be able to offer standardized products across the entire euro area, which banks were unable to do when they handled many currencies.[79] European banks no longer need to specialize in bank products designed for particular currencies; the euro will allow banks to offer the same financial products in every country using the euro.[80] Since European bank will "start competing in the same currency" forcing "profits to come under pressure," mergers may make good economic sense for smaller banks.[81]

C. *The Euro as an International Currency*

The euro could greatly affect the international monetary system, "increas[ing] the stability of the International Monetary System."[82] As the euro gains credibility, it may begin to take on a role similar to the U.S. dollar in the international market.[83] Because

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76. *See id.*

77. *See* Finch, *supra* note 5, at 32; *see also* James R. Kraus, *U.S. Banks Look Like Leaders in the Euro Race,* AM. BANKER, June 17, 1998, at 1. This could be a problem for many financial institutions. European banks will lose the income they receive from traditional activities such as foreign exchange transactions. *See* Mary Canniffe, *New Era Means Banking Sector Faces Uncertainty—Financial Service Providers Face Foreign Exchange Losses and More Foreign Competition,* IRISH TIMES, Dec. 30, 1998, at 52. The hit from this loss of income will be especially harsh because banks have already experienced significant expenditures in order to covert to the new currency. *See id.* Offering new financial products and services may help banks replace the losses suffered in other areas. For example, banks might consider offering is an "account[] that pool clients' funds in overnight accounts denominated in the euro so that they do not have to worry about fluctuations in exchange rates." Wahl, *supra* note 6, at 1. The pressure to compete, however, will be heavy. "As European banks by the hundreds start competing in the same currency, profits will come under pressure, forcing many to merge." Kraus, *supra,* at 1.

78. *See* Finch, *supra* note 5, at 32.

79. *See* Ames, *supra* note 58, at 2A. Consolidation of banks in general is seen as reducing duplicative overhead cost and increasing inefficiency. *See* G. Thomas Sims, *Europe's Banks Seen as Vulnerable,* AM. BANKER, Feb. 10, 1999, at 30.

80. *See* Ames, *supra* note 58, at 2A.

81. Kraus, *supra* note 77, at 1.

82. Marek, *supra* note 1, at 1999.

83. *See id.* A few worry that the U.S. dollar will lose its dominance in international

the dollar is frequently used in international transactions, the relative value of the dollar greatly influences the economies of other countries.[84] As the euro is used more frequently in international trade, it may start to effect financial markets outside the EMU.[85]

One of the most important ways that a currency like the euro or dollar can affect economies outside its usage area is through its acceptance as an international currency. "An international currency is one used by nonresidents for purposes not necessarily related to domestic considerations, for example, to denominate the price of a commodity traded internationally."[86] A currency is considered an international currency if it is used in any of three ways: (1) as an exchange rate peg, (2) if governments hold their reserves in that currency, or (3) if it is used as an invoice currency.[87] These three functions are related; if a country uses a currency for one of these functions, then the country is likely to use it for all three functions.[88] Currently, most countries use the U.S. dollar as the principle international currency.[89] As the euro gains acceptance and is used by more countries the euro could potentially become the international currency of choice.[90] The euro will probably be the dollar's strongest competition in the international currency market, and it may replace the dollar altogether.[91] To understand how dominance by the euro could occur, each international currency function must be examined individually.

The first function that boosts a currency to status as an international currency is use as an exchange rate peg. An exchange rate is the value of one country's currency expressed in terms of

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trade. *See id.* This will depend, however, on how well the financial markets in Europe cope with the conversion. *See id.*; *see also* Lawrence H. Summers, Deputy Treasury Secretary, Speech presented to the Senate Budget Committee (visited Sept. 28, 1998) <http://www. treas.gov/press/releases/sp102197a.html> [hereinafter Lawrence Summers] (stating that developments in the U.S. will determine if the dollar's standing in the international financial system will remain strong).

84. *See* Van Lembergen & Wachenfeld, *supra* note 17, at 40.

85. *See id.*

86. FUNKE & KENNEDY, *supra* note 56, at 7.

87. *See* Patricia Pollard, *The Role of the Euro as an International Currency*, 4 COLUM. J. EUR. L. 395, 395 (1998).

88. *See id.* at 396.

89. *See id.*

90. *See id.* at 395.

91. *See* FUNKE & KENNEDY, *supra* note 56, at 7-8.

another country's currency, the value being a ratio of two currencies.[92] An exchange rate peg is a fixed exchange rate assigned by a country for its own currency in relation to an international currency.[93] Countries chose which international currency to use as the exchange rate peg based on their trade and financial ties with that country.[94] The dollar is commonly used as the exchange rate peg because most internationally traded commodities are priced in dollars.[95] The countries joining the EMU anticipate pegging their native currencies to the euro.[96] As the EMU gains strength and influence, more countries may decide to join the member countries and peg their currencies to the euro rather than the dollar,[97] causing the dollar to lose some of its influence in the international monetary system.[98]

The second function served by an international currency is its use as the holding currency of government reserves. Most governments hold their reserves in conservative government securities[99] that fluctuate little and are easily liquidated in case immediate intervention is required.[100] The composition of a country's currency reserves is partially determined by which foreign countries the home country imports most of its goods from and which countries have financed the largest portions of its debt.[101] The return of various securities as well as the risk of depreciation of the reserve currency

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92. *See* FRANKLIN R. ROOT, INTERNATIONAL TRADE AND INVESTMENT 11 (1973). The conversion rate as of February 23, 1999 between the euro and the dollar is one euro to $1.09643. *See* The Universal Currency Converter (visited Feb. 23, 1999) <http://xe.net/currency>.

93. *See generally* Pollard, *supra* note 87, at 397 (noting an exchange rate peg is sometimes used as method of stabilizing the value of a country's currency).

94. *See id.* at 398.

95. *See id.* at 397.

96. *See* FUNKE & KENNEDY, *supra* note 56, at 5.

97. *See* Pollard, *supra* note 87, at 403.

98. *See id.*

99. *See id.*

100. *See id.*; *see also* Lawrence Summers, *supra* note 83.

101. *See* Pollard, *supra* note 87, at 403. The composition of governmental reserves is more important for financing imports and is influenced more heavily by foreign debt financing in developing countries than in industrialized countries. *See id.* The more countries the home country imports from, the more important currency diversification becomes; a similar pattern exists for long-term debt financing. *See id.* Long-term debt held by developing nations is most commonly held in dollars, although the dollar does not play the major role in long-term debt financing that its share of reserves might lead the reader to believe. *See id.*

also affect the composition of the reserves: low returns and sustained depreciation of a foreign currency could cause the relative proportion of that reserve currency to fall in comparison to other currencies.[102]

Many countries use the dollar as their reserve currency because of the overall strength and stability of the U.S. economy, and the stability and liquidity of the dollar.[103] As the euro becomes more widely circulated, countries in Europe may begin to hold more reserves in the euro.[104] A worldwide shift of holding reserves in the euro is not probable, however.[105] The euro will need time to gain credibility, and governments will need time to feel secure enough to use the currency as their reserve currency.[106] Thus, the U.S. dollar is likely to remain the predominant reserve currency for some time.

The third function that an international currency serves is use as an invoice currency. An invoice currency is a currency "that serves a unit of account function for private transactions" in international trade.[107] Trade between industrial countries of manufactured goods is commonly priced in the currency of the exporter; alternatively, the importing country's currency is the invoice

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102. *See* Pollard, *supra* note 87, at 403. In addition to the factors mentioned in text, countries also hold most of their reserves in the currency they use as their exchange rate peg. *See id.* at 398.

103. *See* Pollard, *supra* note 87, at 396. In 1995, 56% of the world's total reserves were held in dollars. *See* FUNKE & KENNEDY, *supra* note 56, at 8. In the European countries, however, the use of the dollar as a reserve currency has decreased: the European economies have stabilized and become firmly established. *See id.*

104. *See* Pollard, *supra* note 87, at 403.

105. *See id.* The dollar's share of reserves in foreign countries could increase even if the foreign countries and the U.S. do nothing: if all 15 EU members join the EMU, thereby eliminating those 15 European currencies from trade, the total reserves of EMU member states will decline by nearly $1 billion. *See id.* (citing Paul R. Masson & Bart G. Turtelboom, *Characteristics of the Euro, the Demand for Reserves, and Policy Coordination under EMU*, IMF Working Paper # 97/58 (1997)). In order for the euro to alter the reserve currency compositions of foreign countries, those countries would need to make a point to changing their currency porfolios. This scenario is unlikely to occur, however. "[A] pivotal shift in the worldwide composition of reserves will require major changes in the reserve composition on the part of Latin American and Asian countries. . . ." *Id.*

106. *See* FUNKE & KENNEDY, *supra* note 56, at 9. "China, for example, recently announced that it would not consider exchanging any of its dollar reserves for euro reserves until the euro had proven itself to be a 'hard and stable currency after years of running.'" Pollard, *supra* note 87, at 403 (quoting James Harding, *Foreign Exchange Reserves: Beijing Will Not Convert to "Soft Euro"*, FIN. TIMES, Oct. 13, 1997).

107. Pollard, *supra* note 87, at 406.

currency.[108] In the unusual situation where neither the exporter's nor the importer's currency is used, the invoice currency will probably be the dollar.[109] Which currency is selected depends on the preferences of the importer and exporter and on the comparative stability of the currencies.[110] The dollar is currently the most commonly traded currency internationally, but the dollar could lose some of its share of the market to the euro "depend upon the stability of the currency and the successful integration of the financial markets."[111] The euro will become a frequently used invoice currency once member states begin using it because of Europe's strong role in international trade, but countries not currently using the euro as their invoice currency will not switch just because the euro is now available.[112] Nevertheless, if sufficient international trading is done using the euro, the euro could eventually compete with or even replace the dollar as the most frequently used invoice currency of choice. Thus, the euro may have significant influence on the international economy, as well as the European economy, after the national currencies are phased out.

IV. EFFECTS ON AMERICAN BANKS

In the United States, financial institutions bear the immediate burden of adapting to the euro.[113] To ensure a smooth transition, financial institutions should identify the areas of their business that the conversion of the euro will affect.[114] One of the key factors banks

108. *See* Pollard, *supra* note 87, at 407.

109. *See id.* Using a third currency, hence the dollar, frequently occurs in two types of transactions: (1) when an industrialized and a developing country are trading and the industrialized country's currency is not used, and (2) when two developing nations are trading. *See id.*

110. *See* FUNKE & KENNEDY, *supra* note 56, at 8.

111. *Opportunities*, *supra* note 57. The dollar is used as the invoice currency in nearly half of all international commerce transactions. *See id.*

112. *See* Pollard, *supra* note 87, at 407. Transaction costs will be reduced after the introduction of the euro, which will encourage more countries to use the euro as the invoice currency. *See id.* On the other hand, pricing of major commodities, which are heavily traded on the international market, will likely continue to be priced in dollars simply because it will take time for Europe to create commodities exchanges that parallel the power of the commodities exchanges in the United States. *See id.*

113. *See* Meyers & Levie, *supra* note 12, at 323.

114. *See id.* Some areas that banks with European operations may need to address include "strategic, technological, contractual, and communications issues related to the conversion." Barancik, *supra* note 74, at 2.

should address is whether their in-house computer systems can accept and manage conversion to the euro.[115] New or updated computer systems should be prepared to handle malfunctions in the system because of the new programs required for the euro.[116] In addition, computer systems may require additional system capacity to convert currencies and to hold dual ledgers while the euro and the national currency are simultaneously in use.[117]

Another concern for American banks is the enforceability of contracts already negotiated.[118] The performance of certain constracts may be threatened by the introduction of the euro: if the contracts specify that payment are to be made in a national currency, once the euro is introduced this method of payment is not feasible because payments made after the euro is circulated can be made only in euros.[119] Parties to such contracts may claim that the principal purpose of the contract has been frustrated or that meeting its contractual obligation is now impossible, which would give the party a

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115. *See* Barancik, *supra* note 74, at 2. The implementation of the euro problem has been compared to the year 2000 computer problem because both have unknown consequences. *See* Michael Chissick & Emily Parris, *Preparing for European Monetary and Economic Union: Introduction of Euro Will Have Major Impact*, COMPUTER L. STRATEGIST, 1998, at 1. But wise banks will take steps to ready themselves for the advent of the euro as much as the year 2000. *See id.* Coordinating the two projects may be easier for companies than working on the two separately. *See id.* Regardless of how banks decide to tackle the conversion problem, gaining the technological capability to use the euro will be expensive. Evidence of the conversion expense is seen in the amount European banks will spend on the conversion: roughly $10 billion, which is more than European banks will spend to ensure Year 2000 compliance. *See* Wahl, *supra* note 6, at 1.

116. *See* Chissick & Parris, *supra* note 115.

117. *See id.*; Finch, *supra* note 5, at 32. Not only might banks face this problem, but bank customers may also have trouble handling the dual-currency system. *See* Finch, *supra* note 5, at 32. In addition, the euro symbol will have to be added to software. *See* Letter from Board of Governors of the Federal Reserve System to the Officer in Charge of Supervision and Appropriate Supervisory and Examination Staff at each Federal Reserve Bank and Those Domestic and Foreign Banking Organizations Supervised by the Federal Reserve System with Significant European Union Operations (June 12, 1998) (visited Jan. 25, 1999) <http://www.federalreserve.gov:80/boarddocs/SRLETTERS/1998/SR9816.htm> [hereinafter FRB Letter].

118. *See* Barancik, *supra* note 74, at 2. *See generally* James H. Freis, Jr., *Continuity of Contracts After the Introduction of the Euro: The United States Response to European Economic and Monetary Union*, BUS. LAW., May 1998, at 701 (examining the effect the introduction of the euro will have on the continuity of contracts governing commercial transactions).

119. *See* Stephen M. Cox & Denis Ladegaillerie, *"The Euro Cometh" A Legislative Proposal to Ensure Continuity of South Carolina Commercial Contracts*, S.C. LAW., May-June 1998, at 36, 37-38.

defense to performance.[120] In an attempt to prevent impossibility defenses before they arise, the European Council[121] issued a regulation that prevents parties to contracts from claiming frustration or impossibility after the euro replaces the national currencies.[122] Another example where the European Council has stepped in to protect banks from potential hazards following the introduction of the euro is in regard to standby letters of credit: when a letter states that credit will be provided in terms of a particular national currency and credit is later provided in euros, the euro credit will be deemed acceptable.[123]

Some state governments in the United States have also acted in a preventive fashion.[124] New York and Illinois issued similar legislation prohibiting companies from claiming "frustration of purpose" to avoid a contract.[125] The statutes provide that the introduction of the euro cannot serve as the basis for such equitable defenses as frustration and impossibility.[126]

Rather than relying on legislation to protect their clients, attorneys can act affirmatively by writing contracts that include a continuity clause.[127] A continuity clause specifically states that the introduction of and conversion to the euro will not cause the terms of the contract to become ineffective, and the contracts will continue under the stated terms through execution.[128] Thus, although banks should be aware of potential impossibility claims, protection against

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120. *See id.* The frustration defense is appropriate when achieving the principal purpose of the contract is frustrated through no fault of that party. *See id.* at 38. The impossibility defense is available if an unforeseen event makes the performance of the contract impossible. *See id.* If a court determines that it was impossible for a party to perform, the party is excused from the contract. *See id.*

121. The European Council is the primary law-making body of the EU. *See* Cunningham & Werlen, *supra* note 14, at 137. Representatives from each member state sit on the Council. *See id.*

122. *See id.* at 39. Parties are free, however, to negotiate different terms. *See id.*

123. *See* Finch, *supra* note 5, at 32.

124. *See id.*

125. *See id*

126. *See id.*

127. *See* Joel Harris, Program at the Annual Meeting of the International Law and Practice Section of the New York State Bar Association (Jan. 18, 1998) (edited transcript available in *Hot Tips for Practitioners with Clients Involved in International Business, Trade, and Finance*, INT'L L. PRACTICUM, Spring 1998, at 23, 27 (1998), *available in* WL, Inlprac).

128. *See* Van Lembergen & Wachenfeld, *supra* note 17, at 45-46.

such claims is possible.

As the regulators in Europe prepare for issues that may arise with contract continuity, the bank regulators in the United States are also emphasizing the importance of preparation. For example, the Federal Reserve Board (FRB) issued guidelines advising member banks of the potential effects the conversions will have on their operations.[129] The FRB will rate banks on their preparation for the conversion.[130] The Federal Reserve staff will monitor preparations of banks by using the following criteria: (1) has the organization assessed the impact of EMU on its operations? (2) has the organization developed an EMU project plan that addresses its needs and has been approved by the board of directors? (3) is the plan adequate in relation to the identified EMU risk profile of the institution? and (4) is the institution's progress on implementation in line with plan projections?[131]

American banks should also prepare its employees and customers for the introduction of the euro. All bank employees should receive information on what changes the bank will be making and how the conversion will effect their jobs.[132] In addition, banks may want to consider the needs of their customers by adding a special telephone line so customers may call in with any questions they have regarding the euro.[133] Corporate customers may need even more help: corporate customers may need help researching what training their staff will need and what benefits changes will be needed after the euro is in full circulation.[134] European banks have already started providing customers information about the redemonination of their accounts,[135] something American banks may want to consider for customers, both individual and corporate, who do a substantial portion of their business in Europe.

American banks that prepare their computers, staff, and customers for the conversion to the euro will be in optimal condition

129. *See* Barancik, *supra* note 74, at 2.
130. *See* FRB Letter, *supra* note 117.
131. *See id.*
132. *See id.*
133. *See id.*
134. *See* Finch, *supra* note 5, at 32.
135. *See* Chip Cummins, *But Real Test May Be in the Crucial First Days*, WALL ST. J. (Europe), Jan. 4, 1999, at 9, *available in* 1999 WL-WSJE 5504205.

to take advantage of the many business opportunities becoming available in the European financial industry. American banks have a distinct advantage over European banks in dealing with a soon-to-be-widely-used currency like the euro.[136] American banks are already well equipped to handle a single currency in a large economy,[137] while European banks may have difficulty with the transition.[138] In addition, European banks will no longer have the national markets with their captive audiences they could previously dominate.[139] These banks now must compete for customers with banks from Europe and elsewhere that are expected to move in as the euro gains acceptance.[140] New competition in the European financial services market, coupled with weaken corporate earnings due to lost fee income, could result in new business opportunities for American banks in Europe: banks having difficulty competing will be exposed, creating a favorable environment for transatlantic bank mergers.[141]

Many American banks have already begun preparation for conversion to the euro, hoping to capitalize on new opportunities.[142] Banks are marketing products across Europe in an effort to expand sales.[143] American banks have hired experts specializing in international banking and formed alliances with local financial institutions in order to understand what European customers expect

136. *See* Wahl, *supra* note 6, at 1.

137. *See id.* "The advantage could be enough to make large U.S. banks such as Citigroup, BankAmerica and Chase Manhattan Corp. among Europe's top 10 over the next decade." *Id.*

138. *Open War With the Americans*, LE FIAGRO, Dec. 8, 1998, *available in* 1998 WL 8453617. European banks will need to find a way to replace the income that was generated previously from fees charged for foreign exchange trading. *See* Wahl, *supra* note 6, at 1.

139. *See Open War With the Americans*, *supra* note 138. After the transition, banks that had grown accustomed to ruling the banking industry in their home country will be relegated to minority positions, behind some American powerhouse investment banks such as Goldman Sachs, JP Morgan, and Morgan Stanley. *See id.*

140. *See id.*

141. *See* George Trefgarne, *Euro Will Be 'Soft' Says Merrill*, DAILY TELEGRAPH (London), Dec. 15, 1998, at 27, *available in* 1998 WL 3065341.

142. *See* Kraus, *supra* note 77, at 1.

143. *See id.* American bankers had long believed that the European market provided a limited profit potential because the market was mature. *See id.* After the introduction of the euro, however, Europe is now seen as an emerging market with ample opportunities for American banks to make a profitable, strategic, and strong entry into the market. *See id.* American banks will need to move quickly: while they have the initial advantage, European banks will rapidly learn the recipe for success. *See id.*

from their banks.[144] Citibank provides a good illustration of how banks are preparing for the conversion.[145] Citibank will offer new euro banks accounts: customers with an account can hold savings and bankers' draft accounts in euros and get cash in any national currency of an EMU country.[146] While American banks are formulating their strategies, they should remain flexible: banks should pay attention to what their customers say they want, and banks should be aware of changes taking place in the worldwide economy instead of focusing only on Europe.[147] In sum, the introduction of the euro is pushing the European banking industry through changes that savvy American banks can exploit.

In conclusion, the introduction of the euro will be a gradual process that will soon result in the use of a single currency throughout much of Europe. Both positive and negative effects are predicted to occur in Europe. Prices of goods in Europe will become more transparent and stable: whether prices will increase or decrease is still unknown. European bank mergers may be on the horizon as European banks begin to compete in new markets.

American banks should remain flexible in order to adjust for changes, as they are needed. Technology and customer services are two primary areas where banks should concentrate. In addition, banks should heed warnings issued by the FRB. American banks are in prime position to take advantage of the expansion opportunities that will likely open up as weaker banks are forced to consolidate. American banks can also seek new business from customers seeking financial products and services transacted in the euro. Financial institutions can ill afford to ignore the potential power the euro may wield. The governments of United States and Europe should work together as partners in shaping the global economy, with American

144. *See id.* For example, State Street Corp. organized a separate European bank that will manage its business transacted in euros. *See id.* First Union Corp. intends to use recently-acquired "CoreState's global network in such areas as private placements, foreign exchange, derivatives, asset securitization, trading, and loan syndication." *Id.* BankAmerica has similar plans to enter the European investment banking market via NationsBanc Montgomery Securities. *See id.*

145. *See* Susan Emmett, *Citibank Gears Up for a Euro New Year,* TIMES OF LONDON, Nov. 7, 1998, at 60, *available in* 1998 WL 4875518. Euro cash will not be available until the bank notes go into circulation in 2002. *See id.*

146. *See id.*

147. *See* Kraus, *supra* note 77, at 1.

banks taking a leading role in facilitating this partnership by enabling the free flow of financing and investment resources and information between the United States and Europe.[148]

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148. *See* Brittan, *supra* note 3. In May 1998, the United States and the EU began forging the economic partnership by entering the Transatlantic Economic Partnership (TEP). *See id.* The purpose of the partnership is for the United States and EU to plan to work together toward common economic and scientific goals beginning in the year 2000. *See id* *See generally* Richard H. Steinberg, *Great Power Management of the World Trading System: A Transatlantic Strategy for Liberal Multilateralism*, 29 LAW & POL'Y INT'L BUS. 205 (1998) (discussing the importance of U.S. and EU cooperation).

Appendix 1
QUICK REFERENCE GUIDE TO EU TERMS

TERM	ACRONYM	DEFINITION
Euro	N/A	Single currency that will replace the currencies of eleven European countries
European Union	EU	Political agreement formed after WWII to bring the European countries closer together politically and economically
European Economic and Monetary Union	EMU	3 stage process to have all the member states adopt a common currency and monetary policy – also to describe the states that which will adopt the euro
Economic Monetary System	EMS	Created in 1979 to stabilize the exchange rates of the countries in the EU
European Currency Unit	ECU	Not a currency in itself, but a basket of currencies, a unit of account
Economic Monetary Institute	EMI	Replaced the central bank governors as the control for the EMU
European Central Bank	ECB	Manages the monetary policy of the EMU (comparable to the Federal Reserve)
European System of Central Banks	ESCB	All the national banks of the EMU with the ECB as the central bank
Euroland	N/A	Trendy term used to describe the countries that will implement the euro

Additional information on the euro and European Union can be found at http://www.euro.fee.be