

Newsalert*

EURO CHANGEOVER



MALTA

September 2006

Dual Display Way Forward Established

The Dual Display Guidelines published by the National Euro Changeover Committee (NECC) last month include some significant changes from the previous drafts that were released for consultation.

The new guidelines provide the parameters with which businesses will be expected to comply in displaying monetary values in both Maltese lira and the euro. Business organisations are now in a position to establish the impact of dual display on their business and make concrete plans to implement the required changes.

A summary of the final version of the Dual Display Guidelines is set out below.

Other euro changeover developments

NECC also published the final version of the document entitled "Fair-Pricing Agreements In Retailing (FAIR), Handbook of best practice". This document sets out details of a scheme that seeks to secure commitment from organisations to be fair and transparent in converting Maltese lira prices into euros and to be well prepared for the dual display process.

Two other guidelines were released for consultation. These consist of guidelines for the filing of financial statements and for the usage and validity of Maltese lira-denominated stored value documents, such as pre-paid debit cards or gift vouchers.

Government continues to re-affirm that Malta's plan to adopt the euro is on track. It is therefore important for business organisations to plan for the euro changeover in line with the roadmap that has been announced.

The Dual Display Guidelines and other mentioned documents can be downloaded from the NECC website (www.euro.gov.mt)

What will Dual Display involve?

The guidelines now confirm that dual display will become compulsory as from 1 July 2007. However, the guidelines provide for a voluntary period commencing on 1 January 2007 and for situations where prices are displayed in both currencies before this date.

Dual display is not limited to retail prices but to any situation where monetary values are stated or displayed. Some examples provided by the guidelines include quotes, price lists, invoices, receipts, tickets, coupons, payslips, loans, statements, insurance policies, renewal notices, most advertising material (including websites), contracts and financial statements.

However, dual display is not required where monetary display is provided exclusively in a business-to-business environment or to anyone located outside Malta.

On documents where dual display is required only the final amount including taxes, if applicable, needs to be shown in the two currencies.

The guidelines allow the use of alternative methods of dual display (such as conversion tables) where the cost to change current systems or equipment is justifiably too high. Use of word 'EUR' is only allowed where the '€' symbol cannot be printed.

The central parity rate (currently €1:Lm0.429300) should be applied until dual display becomes compulsory on 1 July 2007, when the irrevocably fixed rate must be used. Indications are that this rate will not be different from the current one, though confirmation in this regard is expected by early June 2007.

A specific method of computation and rounding is to be followed as set out in separate guidelines. Smoothing (the adjustment of prices to result to a convenient price) is not allowed for dual display.

Where an organisation already accepts payments in euro prior to 1 July 2007 the organisation:

- (i) Must display prominently the following statement – "Prices shown in euro have been converted from the Maltese lira price at the central parity rate of one euro = Lm0.4293 for information purposes only. Any payment carried out in euro may be subject to an additional charge associated with the exchange of the euro currency to the Maltese lira."

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- (ii) Will be required to subscribe to the FAIR initiative from 1 January 2007.

During the dual display mandatory period banks and credit institutions will accept euro banknotes at the irrevocably fixed rate waiving any exchange charges when these are deposited in either Maltese lira or euro accounts by their customers who are local business operators (excluding foreign exchange bureaux and other financial institutions and intermediaries). This ensures that the euro amount being dual displayed agrees to the amount paid where a business is accepting payments in euro notes.

Dual display remains mandatory after €-day till the end of June 2008. However organisations will be allowed till 30 September 2008 to revert to mono display.

The guidelines make specific provisions for certain industries including banking, insurance, land and sea public transport, taxi drivers and petrol stations. They also make specific reference to mail order catalogues, financial statements and TV advertising as well as the use of handwritten receipt books, bar code systems, cash registers point-of-sale systems and vending machines.

What is the FAIR initiative?

The FAIR initiative is being introduced to encourage early voluntary adoption and to promote best practice in the introduction of the euro.

The scheme will be managed and supervised by the Euro Observatory – within NECC. It is open to all organisations apart from government departments. Applications will require the submission of a detailed dual display implementation plan and will open in October 2006. However, the scheme will become operative on 1 January 2007, coinciding with the start of the voluntary period for dual display. Businesses accepting payment in euros before 1 July 2007 are required to subscribe to the scheme.

Subscribers to the scheme will benefit from:

- The opportunity to use the euro campaign mark in promotional material that indicates the commitment of the organisation to abide by best practice in implementing the euro;
- Free staff training on how to improve consumer trust (both generic training and specific to the company) up to a maximum of 6 hours per person;

- Free euro starter kits provided prior to acceptance into the scheme including: training DVD, dual display calculator, dual display price gun (where required), conversion charts and display material;
- The option to have a link to the company website on the NECC website and inclusion in NECC promotional activities.

The NECC requires subscribers to:

- Take an active role in the NECC's communication campaign;
- Comply by the Dual Display Guidelines and the Price Indication Regulations;
- Refrain from increasing prices for the simple reason that the euro changeover is taking place;
- Train staff appropriately in the areas of – practical aspects of the euro, familiarisation with euro cash, dealing with tills with a mix of currencies, and calculating conversion;
- Ensure timely compliance of all their information systems, point of sale terminals, cash registers, payment systems, and card systems with NECC regulations.

Serious or constant defaulting will result in the removal of the possibility of using the euro campaign mark.

How prepared are you?

The level of preparedness for the euro changeover appears to vary considerably between business organisations. From information that we have gathered from a number of businesses it seems that:

- Most of the larger organisations have set up an internal team to handle the euro changeover process but a number of these are still establishing what action needs to be taken.
- While business organisations generally claim that they fully understand how the euro changeover will affect their business, many admit that they are insufficiently informed about the euro changeover process itself.
- Various businesses have not started the changeover process because they are not aware of any particular issues on conversion. With regard to dual display, some are under the misconception that this only applies to retailers.
- There are few organisations who have so far established that they will start applying dual display before the mandatory period. The IT vendors consulted have expressed concern about their capacity to assist all their clients if these leave the implementation of dual display until it becomes mandatory.
- Very few businesses have so far expressed an interest in smoothening their prices on €-day.

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The extension of the dual display mandatory period January to July 2007 has given greater flexibility for companies to introduce the required measures. However, companies that need to comply with dual display should aim for an early adoption rather than leaving this to the mandatory period.

Clients are advised to establish clearly the extent to which they need to comply with dual display requirements in the light of the new guidelines and to make the necessary preparations accordingly.

Preparations should also be under way for the eventual changeover on €-day. All systems and processes need to be considered and any implications on the business identified and addressed as early as possible.

Our experience in assisting clients to deal with the euro changeover so far indicates that business organisations face two key risks – overlooking processes and systems that require conversion and not having sufficient resources and time to deal with the conversion.

If you have any questions on the euro changeover please contact Lino Casapinta (lino.casapinta@mt.pwc.com) or any other partner.

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PRICEWATERHOUSECOOPERS 

167, Merchants Street, Valletta VLT 03, Malta

Tel: +356 21 247 000

Fax: +356 21 244 768

www.pwc.com/mt