

Cash Changeover Plan

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PART 1: INTRODUCTION

The Republic of Cyprus' Council of Ministers has decided, on 2 November, 2005, to set 1/1/2008 as the target date for adopting the euro both in scriptural and physical form. On 10 July, 2007, the EU Council of Finance Ministers approved Cyprus' application to join the euro area on 11.2008. Therefore, as of 1st January, 2008:

- The euro will become the monetary unit of Cyprus, replacing the Cyprus pound.
- Euro banknotes and coins will be placed in circulation and will become the legal tender of the Republic of Cyprus, making their acceptance as a means of payment for all cash transactions obligatory.
- The Cyprus pound will be acceptable in cash transactions only for one month, during the parallel circulation period, from 1/1/2008 until 31/1/2008. During this period, businesses will give change only in euro.
- Banks and Co-operative Credit Societies (CCSs) will hand over only euro for all their transactions with customers (withdrawals from accounts, payments, etc) and will retain all Cyprus pounds received for subsequent return to the Central Bank of Cyprus.

The exclusive responsibility and accountability for the introduction of the euro in physical form and for the withdrawal of the Cyprus pound from circulation lies with the Central Bank of Cyprus (CBC).

The aim of this document is to explain the decisions and the action plans adopted by the CBC for the timely acquisition of euro banknotes and coins, for the safe distribution of adequate quantities into the economy, for the facilitation of the public and enterprises on the exchange of cash and the rapid withdrawal of the Cyprus pound.

This document constitutes an integral part of the national changeover plan from the pound to the euro.

PART 2: ACQUISITION OF EURO BANKNOTES AND COINS

The CBC will ensure that adequate quantities in each denomination of euro banknotes and coins are acquired in order to satisfy the needs of the economy during the currency changeover. The required quantities in banknotes will be borrowed from the eurosystem whereas for the required quantities of coins, the CBC will mint Cypriot euro coins.

2.1 CALCULATION OF REQUIRED QUANTITIES

The required quantities have been calculated using the method developed by the European Monetary Institute, which was successfully used by the countries that have already adopted the new currency.

The CBC estimates that the currency in circulation on 31/12/2007 will amount to CYP 743.203.000 of which CYP696.808.000 will be in banknotes and CYP46.395.000 in coins. In order to replace the currency in circulation with euro and to acquire adequate logistical stocks, the CBC will acquire 1.830.260.000 euro, broken down in 1.730.000.000 euro in banknotes and 100.260.000 euro in coins.

Denomination	Value ('000)
€500	10.000
€200	10.000
€100	100.000
€50	600.000
€20	800.000
€10	160.000
€5	50.000
Total	1.730.000

Table 2.1: Calculation of euro banknotes per denomination

Denomination	Value ('000)
€2	32.000
€1	28.000
€0,50	15.000
€0,20	13.000
€0,10	7.000
€0,05	3.000
€0,02	2.000
€0,01	260
Total	100.260

Table 2.2: Calculation of euro coins per denomination

2.2 ACQUISITION OF EURO BANKNOTES FROM THE EUROSISTEM

Following the European Central Bank Guideline ECB/2006/9, the CBC will acquire the required euro banknotes from the eurosystem via borrowing. The CBC has chosen to acquire the banknotes from the Bank of Greece, with whom an agreement will be concluded based on the provisions of the Guideline ECB/2006/9.

2.3 DESIGN AND MINTING OF CYPRIOT EURO COINS

The required quantities in euro coins will be acquired through the minting of Cypriot euro coins. The euro coins that will be minted by the Republic of Cyprus will bear the common European side on the obverse and the national side on the reverse.

There will be three national sides – one for the small denominations (1, 2 and 5 cent), one for the medium denominations (10, 20 and 50 cent) and one for the high denominations (€1 and €2). The themes for the three sides are drawn from three aspects characterising the country: **nature**, **history** and **civilisation**.

On the 1, 2 and 5 cent coins, the national side will depict **the moufflon**, as the most characteristic species of Cyprus' wild life.

On the 10, 20 and 50 cent coins, the national side will depict **the ancient ship of Kyrenia**, representing the island's relationship with the sea, shipping and trade throughout Cyprus' history.

On the €1 and €2 coins, the national side will depict **the idol from Pomos**, a cross-shaped idol from the chalcolithic period (3000 B.C.) which is a characteristic example of Cypriot prehistoric art and represents the heritage and civilization of a country endowed with a history of over 10.000 years.



The three national sides of Cypriot euro coins

The Cyprus euro coins are being minted by the Finnish Mint. Minting began immediately after the abrogation of the derogation and the delivery of the coins in Cyprus started in the beginning of October, 2007 and it will be completed by 30 November, 2007 the latest. The Mint is also preparing special packages, called “starter packs”, which include euro coins for familiarisation and facilitation of transactions during the first days of circulation of the new currency.

2.4 SPECIAL COIN PACKAGES

There will be two types of starter packs: one for the public and one for enterprises. Approximately 11% of the total value of coins to be minted, corresponding to 9% of the total number in pieces, will be distributed through starter packs.

2.4.1 Starter packs for the public

The starter packs for the public will contain 47 euro coins of all denominations, as analysed in table 2.3, with an equivalent value of CYP10,. The starter packs will be made available to the public by the CBC as well as by banks and Co-operative Credit Societies from 3 December, 2007. A total of 250.000 starter packs will be distributed.

Denomination	No. of Coins
€0,01	7
€0,02	6
€0,05	6
€0,10	5
€0,20	8
€0,50	7
€1	5
€2	3
Total	47

Table 2.3: Contents of the starter packs for the public

2.4.2 Starter packs for enterprises

The starter packs for enterprises will contain 615 coins in 15 rolls of total value 172 euro, with an equivalent value of CYP 100,67 as per the irrevocable fixing rate. Table 2.4 presents the detailed contents of the packs. Enterprises will be able to acquire these packs from banks and Co-operative Credit Societies from 3rd December, 2007 onwards. A total of 40.000 starter packs will be distributed.

Denomination	No. of Coins (rolls)
€0,01	100 (2)
€0,02	100 (2)
€0,05	100 (2)
€0,10	80 (2)
€0,20	80 (2)
€0,50	80 (2)
€1	50 (2)
€2	25 (1)
Total	615 (15)

Table 2.4: Contents of the starter packs for enterprises

PART 3: DISTRIBUTION OF EURO BANKNOTES AND COINS

The CBC will frontload all banks with adequate quantities of euro banknotes and coins before the euro introduction day so that the new currency is conveyed into the economy from the first day of its circulation in Cyprus. For the same reason, banks will sub-frontload businesses with euro so to facilitate the settlement of transactions in euro, especially in the retail sector. At the same time, banks will arrange for the conversion of their Automated Teller Machines (ATM) network so that the public can be provided with euro banknotes from the ATMs as of the first hours of 2008.

3.1 FRONTLOADING OF BANKS

The frontloading of banks will be performed based on an agreement which will be concluded with the CBC, adopting the relevant provisions of ECB's Guideline ECB/2006/9. The agreement will include all the terms and conditions for the delivery and safe custody of the euro currency until the euro is established as the legal tender, as well as the distribution of the frontloaded euro quantities into circulation.

3.1.1 Frontloading of banknotes

The frontloading of banks with banknotes will commence on the 19th of November, 2007 and will be completed by mid December, 2007. The CBC will assume responsibility for the direct delivery of the euro banknotes to each bank. The frontloading quantities have already been calculated with the objective of satisfying the banks' needs for the first three weeks of 2008.

3.1.2 Frontloading of coins

The frontloading of banks with coins will commence on the 22nd of October, 2007 and will be completed by mid December, 2007. The coins as well as the coin starter packs will be delivered to banks through CBC's Coin Centre, and banks will be responsible for the distribution of the coins to their branches. The frontloading quantities have been calculated with the objective of satisfying the banks' needs for the first months of 2008.

3.1.3 The Central Bank's Coin Centre

The CBC has constructed a specialised building, namely the Coin Centre, which will be used initially for the frontloading of banks with euro coins and thereafter for the collection, processing and destruction of Cyprus pound coins.

The building is situated in a secured area in Nicosia. The Cyprus Police Force will have the responsibility for the safeguarding of the building's security throughout the duration of its operation.

The Centre consists of 750sq.m. of covered space, divided into three parts: (1) Area for the storage of coins and execution of transactions by the CBC's bulk tellers, (2) area for the processing and destruction of Cyprus pound coins, and (3) storage area for the four largest banks which they will administer themselves for the distribution of euro coins to their branches and, later on, for the collection of Cyprus pound coins before delivering them to the CBC. The construction of the Coin Centre was completed in July, 2007 and the centre has been put into operation in September, 2007.

3.2 SUB-FRONTLOADING OF ENTERPRISES

Banks will sub-frontload enterprises, especially those in the retail sector, with euro prior to 1st January 2008 to enable the settlement of transactions in euro from the first day of its circulation. Enterprises will submit to their banks their needs in euro banknotes and coins for the first days of the currency changeover.

Sub-frontloading will be governed by an agreement that will be signed between the enterprise and the bank that will be supplying it with euro. The agreement will be based on the terms and conditions specified in clause 16 of the Guideline ECB/2006/9.

Sub-frontloading of small enterprises with euro coins will be made through the sale of starter packs for businesses.

3.3 CONVERSION OF AUTOMATED TELLER MACHINES

Automated Teller Machines (ATMs) are expected to play an important role in the distribution of euro banknotes to the public from 1st January, 2008.

ATMs will provide Cyprus pounds to the public until 17:00 on 31st December, 2007. Afterwards, during the first hour of January 1st, 2008, 70% of each bank's ATMs, which includes all machines operating at central locations, will dispense only euro banknotes of €10 and €20 denominations.

The remaining 30% of ATMs will be made operational, providing only euro, the latest by noon of January 1st, 2008.

Existing ATMs dispensing euros as foreign currency will be in continuous operation.

PART 4: EXCHANGE OF CYPRUS POUND

An important factor for the acceptance and the smooth transition to the euro is the timely exchange of banknotes and coins of the Cyprus pound into the equivalent euro banknotes and coins. The CBC aims at the reduction, to the bare minimum, of cash in circulation at the end of 2007, and subsequently at facilitating and providing adequate time to the public and enterprises for the exchange of their Cyprus pound cash into euro, conveniently and without any charges.

4.1 CAMPAIGN FOR DEHOARDED BANKNOTES AND COINS

The CBC, aiming at the reduction of cash in circulation at the end of 2007 to the bare minimum, has embarked on a communication campaign on dehoarded banknotes and coins. In this campaign framework, those in possession of hoarded Cyprus pound coins or banknotes are encouraged to deposit them in time, before the introduction of the euro, in accounts with banks or co-operative credit societies or to use them up in their daily transactions. Banks will support the campaign by accepting Cyprus pound coins for exchange into bank notes or for deposit in bank accounts without charges.

The campaign was launched on 19 November, 2006 on the occasion of the World Savings Day, through the hosting of an event for the collection and exchange of dehoarded coins by children. The campaign has been intensified in September, 2007.

4.2 EXCHANGE OF CYPRUS POUNDS AFTER THE ADOPTION OF THE EURO

Banks and co-operative credit societies will, without direct or indirect charges and for a period of six months from the date of the adoption of the euro,

- accept Cyprus pound banknotes and coins for deposit, without quantitative restrictions
- exchange Cyprus pounds banknotes and coins into euro banknotes and coins, without direct or indirect charges for the amounts up to
 - (a) one thousand pounds (CYP1.000,00), per customer, per transaction, in the case of banknotes and
 - (b) fifty pounds (CYP50,00), per customer, per transaction, in the case of coins

Banks and co-operative credit societies may decide to exchange larger amounts of Cyprus pound banknotes and coins into euro per customer per transaction without charges.

The CBC shall exchange Cyprus pound banknotes and coins into euro without any charges

- (a) for a period of ten (10) years from the date of the adoption of the euro, in the case of banknotes and
- (β) for a period of two (2) years from the date of the adoption of the euro, in the case of coins.

4.3 OPENING OF BANK BRANCHES ON 1/1/2008

On 1st January, 2008, which is an official bank holiday, some centrally located branches of banks will open in every district to facilitate the exchange of Cyprus pounds into euro by the public.

PART 5: WITHDRAWAL OF CYPRUS POUND

The CBC aims at the secure withdrawal and destruction of Cyprus pound banknotes and coins as fast as possible. Drawing on the experience of the 12 countries which adopted the euro in 2002, it is expected that by the end of 2008, 95% of Cyprus pound banknotes and 60% of Cyprus pound coins will have been withdrawn.

5.1 WITHDRAWAL OF CYPRUS POUND BANKNOTES

In the case of the withdrawal of Cyprus pound banknotes, banks will follow the procedures currently in force, by packaging banknotes in bundles of 500 or 5000 items and delivering them, adhering to security measures currently in force, to the CBC. The CBC will check, count and shred banknotes using modern, high capacity equipment for checking the authenticity, counting and destruction of banknotes.

5.2 WITHDRAWAL OF CYPRUS POUND COINS

Banks will deliver Cyprus pound coins to the CBC's Coin Centre. The procedures for delivery of coins and transaction settlement have already been set.

Checking, counting and eventual destruction of coins will be effected using specialized equipment donated by the Bank of Greece, customised accordingly in order to process Cyprus pound coins. The metal that will result from the destruction of coins will thereafter be recycled.

PART 6: SECURITY MEASURES

The CBC aims at a secure introduction of the new currency. In this respect, the CBC in collaboration with the competent authorities of the Republic, is adhering to the relevant ECB regulations and assuming all necessary measures in order to deter criminal acts. Furthermore, it is training cash handling professionals to be in a position to identify counterfeit notes and coins.

6.1 SECURITY MEASURES AGAINST CRIMINAL ACTS

The CBC closely liaises with the Cyprus Police Force on the subject of increased and effective security measures during the currency changeover period.

6.2 TRANSPORTATION AND STORAGE OF EURO BANKNOTES

The euro banknotes are being transported to Cyprus and kept at the CBC adhering to ECB's safety and security regulations for cross-border transportation of cash. Increased security measures will be taken, in association with the Cyprus Police Force, during the receipt and transportation of the banknotes within the Republic.

6.3 TRAINING OF CASHIERS ON SECURITY FEATURES OF THE EURO

During the second half of 2007, the CBC is running a program of training seminars on the security features of the euro for the staff of banks, government departments, semi-governmental organizations and larger enterprises which professionally handle cash. The training is carried out on the basis "Train the Trainers". A specified number of trainers from each organization shall be trained to channel their knowledge back into their respective organizations.

The training material, which has been produced by the ECB, is distributed during the training seminars and is concurrently made available via eLearning on the internet.

6.4 INFORMING THE PUBLIC ON SECURITY FEATURES OF THE EURO

The CBC will undertake, in the last two months of 2007, an extensive campaign, to inform the public on the security features of the euro.

APPENDIX 1: MILESTONES FOR THE EURO INTRODUCTION

<i>18 July, 2007</i>	Completion of the construction of CBC's Coin Centre.
<i>2 July, 2007</i>	Commencement of training seminars for cashiers in banks, government departments, semi-governmental organizations and large enterprises.
<i>September, 2007</i>	Commencement of the Coin Centre's operation.
<i>22 October, 2007</i>	Commencement of frontloading of banks and sub-frontloading of enterprises with euro coins.
<i>19 November, 2007</i>	Commencement of frontloading of banks and sub-frontloading of enterprises with euro banknotes.
<i>3 December, 2007</i>	Commencement of distribution of coin starter packs to the public and enterprises.
<i>1 January, 2008</i>	Adoption of the euro as legal tender in Cyprus
<i>1 January, 2008</i>	Commencement of the parallel circulation period.
<i>1 January, 2008</i>	Commencement of the period for exchange of the Cyprus pound into euro by banks and co-operative credit societies.
<i>31 January, 2008</i>	End of the parallel circulation period.
<i>30 June, 2008</i>	End of the period for exchange of the Cyprus pound into euro by banks and co-operative societies without charges.
<i>31 December, 2009</i>	End of the period for the exchange of Cyprus pound coins from the Central Bank of Cyprus
<i>31 December, 2017</i>	End of the period for the exchange of Cyprus pound notes from the Central Bank of Cyprus