Adoption by Lithuania of the euro on 1 January 2015

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The Commission presents its **fifteenth report** on the practical preparations for the future enlargement of the euro area.

Following the Council Decision of 23 July 2013 that Lithuania fulfils the necessary conditions for the adoption of the euro, **Lithuania will adopt the euro on 1 January 2015** ("€-day"). This will bring the total number of euro area Member States to nineteen, including now all three Baltic states. The conversion rate was irrevocably set at **3.45280 Lithuanian litas per euro.**

Following the fourteenth report of the Commission on Lithuania's practical preparations, this report assesses further progress made **from mid-June until end of September 2014**. It addresses the preparations for the introduction of euro cash, the measures put in place for protecting consumers in the changeover period, such as the "Memorandum on Good Business Practice upon the Introduction of the Euro", and the communication campaign.

1) Introduction of the euro: the changeover in Lithuania will follow the "big bang" changeover scenario with a dual circulation period of 15 calendar days. **370 million euro coins and 132 million euro banknotes** of various denominations are required for replacing the litas coins and banknotes in circulation and for the stocks considered necessary for 2015.

Frontloading of euro coins to credit institutions started on 1 October 2014 with frontloading of euro banknotes to follow as of 1 November 2014. **900,000 euro coin starter kits** for the general public will be available as of 1 December. Retailers may choose among two sizes of starter kits: kits containing EUR 111.00 (tentative number: 60,000 kits) and 50,000 kits containing EUR 200.00.

On €-day, **all 1,193 ATMs in Lithuania** will dispense euro banknotes by the early hours of 1 January 2015. The adjustment of point-of-sale (POS) terminals is envisaged for December 2014 with a view to switching instantaneously to euro on 1 January 2015. Some banks intend to have **more staff in branches** handling cash operations and/or establish additional counters at the end of 2014 and during the first days after €-day.

The Commission states that preparations for the cash changeover are **well advanced** and most of the Commission's recommendation provided during the technical assistance missions and in the fourteenth report on the practical preparations for the future enlargement of the euro area have been taken into account. It stresses that it is of particular importance that measures for **decreasing litas cash in circulation** are stepped up towards €-day.

The preparations of the **financial and banking sector** seem overall well on track. There will be a considerable extra workload and much larger number of customers in the first days of January 2015. The Commission recommends that (i) banks should take additional measures to avoid long queues; (ii) customers experiencing difficulties with the self-service cash-in machines get support during the changeover period by dedicated staff.

2) Preventing abusive practices and erroneous perception of the evolution of prices by citizens: the period of dual display of prices in both litas and euro started on 23 August 2014. Dual display has to continue at least six months following the euro adoption date. On 18 August 2014, the "**Memorandum on**

Good Business Practice upon the Introduction of the Euro" was launched in a public event. By signing the Memorandum, subscribers (e.g. retailers) undertake not to use the adoption of the euro as a pretext for increasing prices of goods and services, to apply the official conversion rate and rounding rules and to indicate prices in both currencies (litas and euro) clearly and understandably, and not to mislead consumers.

The Commission asks that Lithuanian authorities should take all efforts to achieve the highest possible subscription rate to the Memorandum on Good Business Practice. Stakeholders such as the Chambers of Commerce and business associations should subscribe to the Memorandum and promote it vis-à-vis their members. Further efforts should also be taken as regards the subscription of proximity businesses.

The Commission also recommended that: (i) information on price developments after €-day should be published by the beginning of January 2015 ; (ii) **it should be ensured, by regulatory means, that dual display of prices ends by 1 January 2016** and that this end date is clearly communicated to the public, so that the latter learns the new scale of value.

Changeover preparations in rural areas should also be monitored.

3) Communication activities: the latest survey shows that the support for euro adoption is stable. **48%** (+1 pp) are in favour of the introduction of the euro. A majority of respondents (51%) think that Lithuania is ready to adopt the euro.

On the other hand, the survey clearly highlights that a negative impact is still a major concern for the Lithuanians with **84% (+ 9pp) expecting prices to go up** and only 11% (-7pp) expecting the euro to keep prices stable. 58% (first time asked) see the euro adoption as an opportunity for Lithuania to further strengthen its place in the EU.

The Commission considers that the new phase of the information campaign in Lithuania should address the remaining concerns related to euro introduction and increase consumers' confidence. To tackle persistent concerns of price increases in the changeover period, **citizens need to be continuously informed about the results of the price monitoring** and other control activities.