

## The Centrality of Banking

By the end of 'Animal Farm', the slogan of that all animals are equal has been quietly extended to read that 'some are more equal than others'.

It is soon going to become clear that when it comes to the euro, not all industries are equal, either. While ICI may decide that it is important for ICI to offer to do business in euros (or not, as the case may be), and Marks & Spencer may deliberate on what services they may or may not offer, one group of companies has a wholly different relationship to the new currency.

The banks.

The manner in which the banks of a country prepare themselves, the timing of their offers and the nature of services will be key to a country's success in exploiting the perceived opportunities offered by the new currency.

But the survival of the banks is also dependent on them getting it right for their existing customers.

We have already seen a foray by the Belgian banks which sought to gain advantage from the Dutch banks' collective decision to go for a late 'Big Bang' conversion. The Dutch banks had, in one way sensibly, decided that there was no advantage to be gained from a fratricidal race for dual currency systems during the transition period. They would therefore all compete on normal services, and convert late, and together. The Belgians, next door, realised that there was a market, which was wide open to them, and began to offer euro accounts to all and sundry.

The cost of a Dutch defence would be huge - and of no lasting benefit. The cost to the Belgians - a few adverts in the Dutch press.

So getting the services right can be a matter of survival.

But more importantly for a country, we may say that without the banking system in place, there *cannot be* a changeover to the new currency.

It will not matter if ICI wishes to do business in euros if the banks cannot make ICI's payments and accept receipts, cannot receive the payments of its customers, cannot receive the moneys due to its suppliers, and cannot handle the cash of its workforce and its tax payments.

If the manufacturers are not ready, there will be no immediate effect. If the retailers decide not to bother taking two currencies, but elect to have a once and for all conversion, then no-one else will be greatly bothered - they will go on as usual. But if the banks do not offer the right services, the cost will be enormous.

For example, consider a case such that banks offer to accept national currency or euros without discrimination, and decide that they will credit a company's accounts in either case without charge. In this case companies will find ways of ensuring that they offer the most acceptable form of pricing and invoicing to customers. Should banks decide to

keep accounts separate, their customers will change their business practices in ways which may not be beneficial.

The relative costs of the two operations are also quite different. In the first case, the cost is limited to that incurred by one bank, and will no doubt be recharged and shared amongst many. In the second, each company bears the total cost of an individually developed answer.

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In 'Animal Farm', the carthorse, Boxer, had a single answer to all problems: 'I must work harder'. Well, in this case, working harder will benefit none of us. But recognising that the actions of the banks is crucial - *and trying to make them do the smart thing*- will be the key to the costs incurred by industry.