



International Chamber of Commerce

The world business organization

Policy statement

The impact of the European single currency (Euro) on monetary obligations related to transactions involving ICC Rules

Commission on Banking Technique and Practice, 6 April 1998

The International Chamber of Commerce (ICC) is the world business organization, based in Paris. The ICC Commissions on Banking Technique & Practice, International Commercial Practice, and Insurance, develop and maintain uniform rules for international trade, including the Uniform Rules for Contract Guarantees (URCG 325), Uniform Rules for Demand Guarantees (URDG 458), Uniform Customs and Practice for Documentary Credits (UCP 500), Uniform Rules for Collections (URC 522), Uniform Rules for Contract Bonds (URCB 524), and Uniform Rules for Bank-to-Bank Reimbursements (URR 525) (hereinafter referred to collectively as "ICC Rules").

The Introduction of the European single currency (euro), shall not have the effect of altering, discharging or excusing performance under any instrument subject to ICC Rules. This Decision emphasizes the need to correctly interpret and apply ICC Rules. Consequently, ICC national committees and associated organizations are strongly urged to distribute this Decision as widely as possible to help ensure the future smooth running of the instruments issued under ICC Rules. This Decision does not amend any articles of ICC Rules in any way, but merely indicates the correct interpretation thereof which has been adopted unanimously by the ICC Commission on Banking Technique and Practice, on 6 April 1998.

1. General

1.1 As of 1 January 1999, the euro will be substituted for the national currency unit of those European Union member states participating in European Economic and Monetary Union (hereinafter, "EMU-Participating States") which are to be designated in May 1998. During the transitional period running from 1 January 1999 to 31 December 2001, the euro (1 euro = 100 cents) will also be divided into the national currency unit of the EMU-Participating States according to conversion rates which are to be irrevocably fixed by the Council of the European Union as of 1 January 1999 ("conversion rates"). The term "national currency unit" as used below refers to the currency of any EMU-Participating State before 1 January 1999.

During the transitional period persons are free to use either the euro or the national currency unit, but will not (unless otherwise agreed) be obliged to receive or make payment in euro. Any amount denominated either in euro or in a national currency unit of a given EMU-Participating State and payable within that state by crediting an account of the creditor, may be paid by the debtor either in euro or in that national currency unit, with any necessary conversion being effected at the conversion rate.

As of 1 January 1999 the ECU will be replaced by the euro at the rate of one euro to one ECU.

1.2 As from 1 January 2002 the national currency unit will cease to exist and the euro will be the only legal currency in the EMU-Participating States; all payments must be in euro.

1.3 Continuity of contract will not be affected by the introduction of the euro.

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1.4 The above principles affecting national currency unit are legally binding in all EMU-Participating States, and apply equally to payment to be made in a national currency unit by persons located outside the European Union, due to the generally accepted legal principle that the definition of what constitutes legal tender is governed by the law of the country whose currency is involved (sometimes referred to as the *lex monetae* principle).

2. Consequences of the introduction of the euro on practice under various ICC rules

2.1 UCP 500 for Documentary Credits (including standby letters of credit)

Below are the different possible cases and the relevant rules of interpretation:

2.1.1 Documentary credits issued and payable before 1 January 1999 in a national currency unit

Payment must be made and documents denominated in the currency of the credit.

2.1.2 Documentary credits issued before 1 January 1999 and payable between 1 January 1999 and 1 January 2002 in a national currency unit

Payment must be made in the currency of the credit, but documents issued between 1 January 1999 and 1 January 2002 may be presented either in the currency of the credit or in the euro equivalent or in the equivalent cross-value in the national currency unit of the beneficiary's place of business; however, where payment is to be made in the currency of an EMU-Participating State and by crediting an account located in such member state, payment may at the debtor's (e.g. issuing bank's) option be effected in the euro equivalent.

2.1.3 Documentary credits issued in a national currency unit before 1 January 1999 and payable on or after 1 January 2002

Payment must be made in euro, but documents issued between 1 January 1999 and 1 January 2002 may be presented either in the currency of the credit or in the euro equivalent or in the equivalent cross-value in the national currency unit of the beneficiary's place of business; documents issued on or after 1 January 2002 must be denominated in euro.

2.1.4 Documentary Credits issued and payable on or after 1 January 1999 and before 1 January 2002 in a national currency unit or in euro

Payment must be made in the currency of the credit, but documents issued between 1 January 1999 and 1 January 2002 may be presented in the currency of the credit or in the euro equivalent or in the equivalent cross-value in the national currency unit at the beneficiary's place of business; however, where the currency of the credit is a national currency unit and payment is to be made in the currency of a particular EMU-Participating State by crediting an account located in such member state, payment may at the debtor's (e.g. issuing bank's) option be effected in euro.

2.1.5 Documentary credits issued on or after 1 January 1999 but before 1 January 2002 in a national currency unit or in euro and payable on or after 1 January 2002

Payment must be made in euro, but documents may be presented either in the currency of the credit or, as the case may be, in euro or in the national currency unit of the beneficiary's place of business, provided always that documents issued on or after 1 January 2002 must be denominated in euro.

2.1.6 For purposes of examples 2.1.2, 2.1.3, 2.1.4 and 2.1.5 above, documents (including insurance documents mentioned in UCP Art. 34 f) are not considered as being inconsistent with one another, if,

within a single presentation of documents, any documents are denominated in the currency of the credit and/or in euro and/or in the national currency unit of the beneficiary's place of business.

2.1.7 Documentary credits issued and payable on or after 1 January 2002

Credits cannot be issued in a national currency unit and must be issued in euro and payment must be made and documents (issued on or after 1 January 2002) denominated in euro.

2.1.8 The guidelines set forth in this Decision apply equally to transferable credits. With regard to transferable credits issued in a national currency unit and to be transferred during the transitional period, the transferring bank may convert the currency and amount of the credit into the euro equivalent.

2.2 URCG 325 / URDG 458 / URCB 524 — Guarantees and bonds

The principles set forth above also apply to guarantees and bonds.

2.3 URC 522 Collections

Collections must be made in the currency stipulated in the collection instructions. However, if a collection instruction stipulates a national currency unit of an EMU-Participating State, as of 1 January 1999 payment may be made in the euro equivalent and as of 1 January 2002, payment must be made and accepted in the euro equivalent.

2.4 URR 525 Bank-to-Bank Reimbursements

Reimbursement claims must be made and honoured in the currency of the reimbursement authorization or reimbursement undertaking. However, if such currency is the national currency unit of an EMU-Participating State, from 1 January 1999 they may be made and honoured in the euro equivalent, and as from 1 January 2002 they must be made and honoured in the euro equivalent.

ICC Commission on International Commercial Practice