

## B.1 WHOLESALE/RETAIL INTERDEPENDENCIES: TECHNICAL ISSUES

B.1.44 In the event that the UK were to join EMU, and a managed transition were adopted for the changeover from sterling to euro ([as described in HM Treasury's third outline National Changeover Plan, June 2003](#)), sterling *wholesale financial markets* would operate in *euro* immediately from the entry date, whereas *retail financial services* would remain largely in *sterling* until later in the transition period after entry.

- If preparations for possible UK entry were to begin to be implemented in earnest around a year in advance of entry, wholesale preparations would be complete by entry, but retail preparations could not be completed within the same timescale. The main retail services in euro that banks would currently expect to be available on entry, and once retail preparations were complete, [are shown in Box 3](#) (and illustrated in Chart 2).
- Banks and other financial institutions expect that, in accordance with experience in the first wave, the vast majority of their retail customers would wish to continue using sterling rather than euro until late in the transition period, and would not request euro accounts or use euro services on a substantial scale until after banks' retail preparations were complete.

B.1.45 The focus in Section B is on gilts and equities, because these are the securities held most widely by retail investors.

B.1.46 Financial institutions operating in the wholesale markets in euro would need to meet the continuing demand for sterling-denominated services from their retail customers. In doing so, a number of technical issues would arise, particularly for banks, brokers and registrars, in the period between entry and when banks' retail preparations were complete. Assuming that changes in the financial infrastructure in the period before entry, including changes currently planned, did not have a significant impact on wholesale/retail interdependencies, the main technical issues to be resolved would be the following.

- [Gilts and equities](#)
  - (i) Gilt and equity transactions
  - (ii) Gilt coupons and redemptions
  - (iii) UK companies' dividends and share capital
- [Guidelines to help UK companies](#)
  - (i) Timing of share capital redenomination
  - (ii) Declaration and denomination of dividends
  - (iii) Methods of redenominating company share capital
  - (iv) Share option schemes
- [Interest day-count conventions](#)