Euro market

Bankers perform the function of taking deposits and lending advances to the users. The function of a banker is monitored by various agencies that attempt the safety of deposit holders and security on advances lent. These agencies will provide information and expertise to all bankers operating in money market for their local operations. The regulations shall come in the form of deposit to advance ratio, CLR, Margin requirements, Prime lending rate etc.

Sometimes MNCs obtain short term / long term funds from bankers in various countries of their operations instead of restricting only from its native country. This has increased the takers of loans from a bank from places outside the native country. Expertise of extending advances to MNCs is not present for local based bankers. Moreover the local restrictions may disable the processing of a potentially a profitable MNC business. An expertise is developed in rendering specialized service to such foreign customers away from their Head Quarters. Firstly it was developed by US banks to cater many foreign customers dealing in dollars outside USA. Dollar deposits / advances placed / taken in banks located in Europe came to be known as EURODOLLARS.

Restrictions on deposits and rigors of advances are totally non-existent in Euro market, making it very attractive not only to foreign borrowers but also to all depositors worldwide. Euro currency market transaction normally represents large deposits and loans often the equivalent of $1 million or more. Large financial transactions such as these can reduce operating expenses for a bank. This is also another reason why Eurobanks offer attractive rates of deposits and loans.

When a currency is deposited or taken from a Eurobank, it is often described with a "Euro" prefix attached to it. For example, a loan in Japanese Yen by a Eurobank is referred to as "Euro Yen rate". One should not be confused by the term Euro prefix. The deposit and lending rates used in Euro markets are often different from the domestic rates used by the bankers in the native countries.

EURO CONVERSION RATES

On Jan. 1, 1999, Eleven European countries began using the euro electronically, as a denomination for debt issues and bank accounts. The actual notes and coins entered circulation on Jan. 1, 2002. The conversion rates for the participating currencies were fixed as follows.

1. Austrian -	Schillings		2. Belgium -	francs
3. Netherland -	Dutch guilders		4. Finland -	markka
5. French -	Franc		6. Germany -	mark
7. Spain -	peseta		8. Ireland -	punt
9. Italy -	lira		10. Luxembourg -	Franc
11. Portugal -	escudo			