

BILL ANALYSIS

Senate Research Center

S.B. 1619
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Economic Development
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As Filed

DIGEST

On January 1, 1999, the "euro" became the single currency for 11 member states of the European Union (France, Ireland, Germany, Austria, Belgium, Italy, Finland, Luxembourg, the Netherlands, Portugal, and Spain). The euro conversion from the various member states' respective national currencies will occur gradually during a three-year period, from January 1, 1999 through December 31, 2001. During this currency transition period, accounts and payment instruments will be denominated in euro currency, but euro-denominated banknotes and coins will not yet have been introduced into circulation. In the post-currency transition period, euro banknotes and euro coins will fully circulate and will be the legal tender in all of the participating countries. All new contracts involving the respective currencies of the participating member countries entered into during the post-currency transitional period will be denominated and transacted in euros. S.B. 1619 would set forth provisions for the substitution of and equivalency for the single currency of the European Union in certain contracts, securities, and instruments.

PURPOSE

As proposed, S.B. 1619 sets forth provisions for the substitution of and equivalency for the single currency of the European Union in certain contracts, securities, and instruments.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Title 4, Business & Commerce Code, by adding Chapter 42, as follows:

CHAPTER 42. EUROPEAN UNION CURRENCY CONVERSION

Sec. 42.001. SHORT TITLE: European Union Currency Conversion Act.

Sec. 42.002. DEFINITIONS. Defines "Euro," "euro," "EUR," "European Currency Unit," "ECU," "XEU," and "introduction of the euro."

Sec. 42.003. REFERENCES TO EUROPEAN CURRENCY UNIT. Requires references to the ECU in a contract, security, or instrument that also refers to the definition of the ECU to be replaced by references to the euro, when the euro becomes the monetary unit of participating member states of the European Union. Requires references to the ECU in a contract, security, or instrument that does not refer to the definition of the ECU to be construed as references to the currency basket that is from time to time used as the unit of account of the European Community, unless the contract, security, or instrument demonstrates that the parties intended a different construction.

Sec. 42.004. CONTINUITY OF CONTRACT. Provides that the euro is a commercially reasonable substitute and a substantial equivalent that may be used in determining the value of such currency or tendered, in each case at the conversion rate specified in, and otherwise calculated in accordance with the regulations adopted by the Council of the European Union, if such a subject or medium payment of a contract, security, or instrument is a currency that has been substituted or replaced by the euro. Provides that the euro is a commercially reasonable substitute and a substantial equivalent that may be used in determining the value of the ECU or tendered, in each

case at the conversion rate specified in, and otherwise calculated in accordance with the regulations adopted by the Council of the European Union, if such a subject or medium payment of a contract, security, or instrument is the ECU. Authorizes a person to perform any of the obligations described in Subsection (a) or (b), in the currency or currencies originally designated in the contract, security, or instrument or in euros, but not in any other currency, whether or not that other currency meets certain criteria. Sets forth certain occurrences that neither discharge nor excuse performance under a contract, security, or instrument, nor give a party the right to unilaterally alter or terminate any contract, security, or instrument.

Sec. 42.005. EFFECT OF AGREEMENTS. Provides that this chapter does not alter or impair an agreement between parties that specifically addresses the introduction of the euro.

Sec. 42.006. APPLICATION. Provides that this chapter applies to all contracts, securities, and instruments, including commercial contracts governed by the laws of this state, and that this chapter prevails to the extent of any conflict between this chapter and any other law of this state. Provides that in circumstances of currency alteration, other than the introduction of the euro, this chapter does not create any inference or presumption regarding the validity or enforceability of contracts, securities, or instruments denominated in whole or in part in currency affected by the alteration.

SECTION 2. Emergency clause.
Effective date: upon passage.