



ESBG

European Savings Banks Group

Protecting the euro  
Dimensions and questions

Norbert Bielefeld  
OLAF – EPC – ESTA Conference  
Brussels, 28. October 2010



# Contents

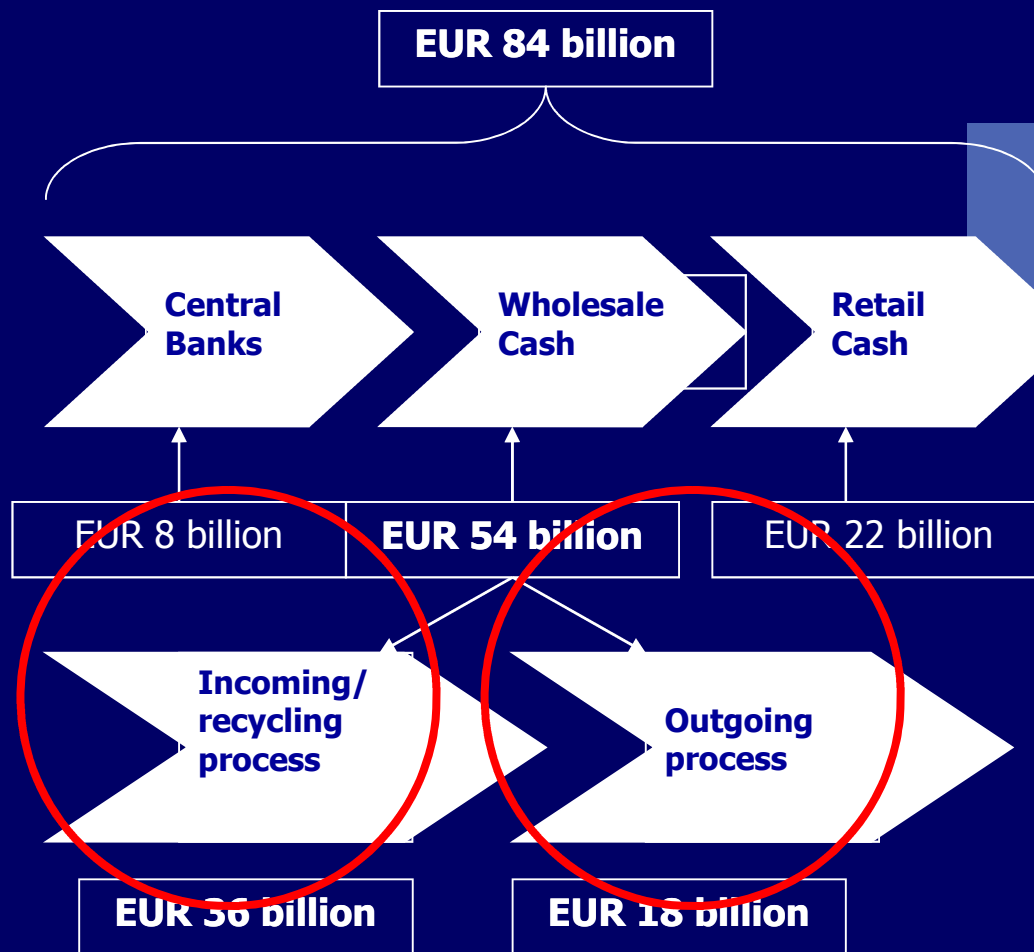
- Cash works and matters...at a cost
- The 2 sides of the 2010 EC Recommendation on legal tender
- What legal tender for an efficient internal market?
- Closing thoughts

# Cash works

- 301 billion cash transactions in the EU (2008)
- 188 billion in Western Europe (70,5% of all transactions)
- Euro area: 2.400 EUR in circulation per capita (2009 - vs 1.700 in 2005)

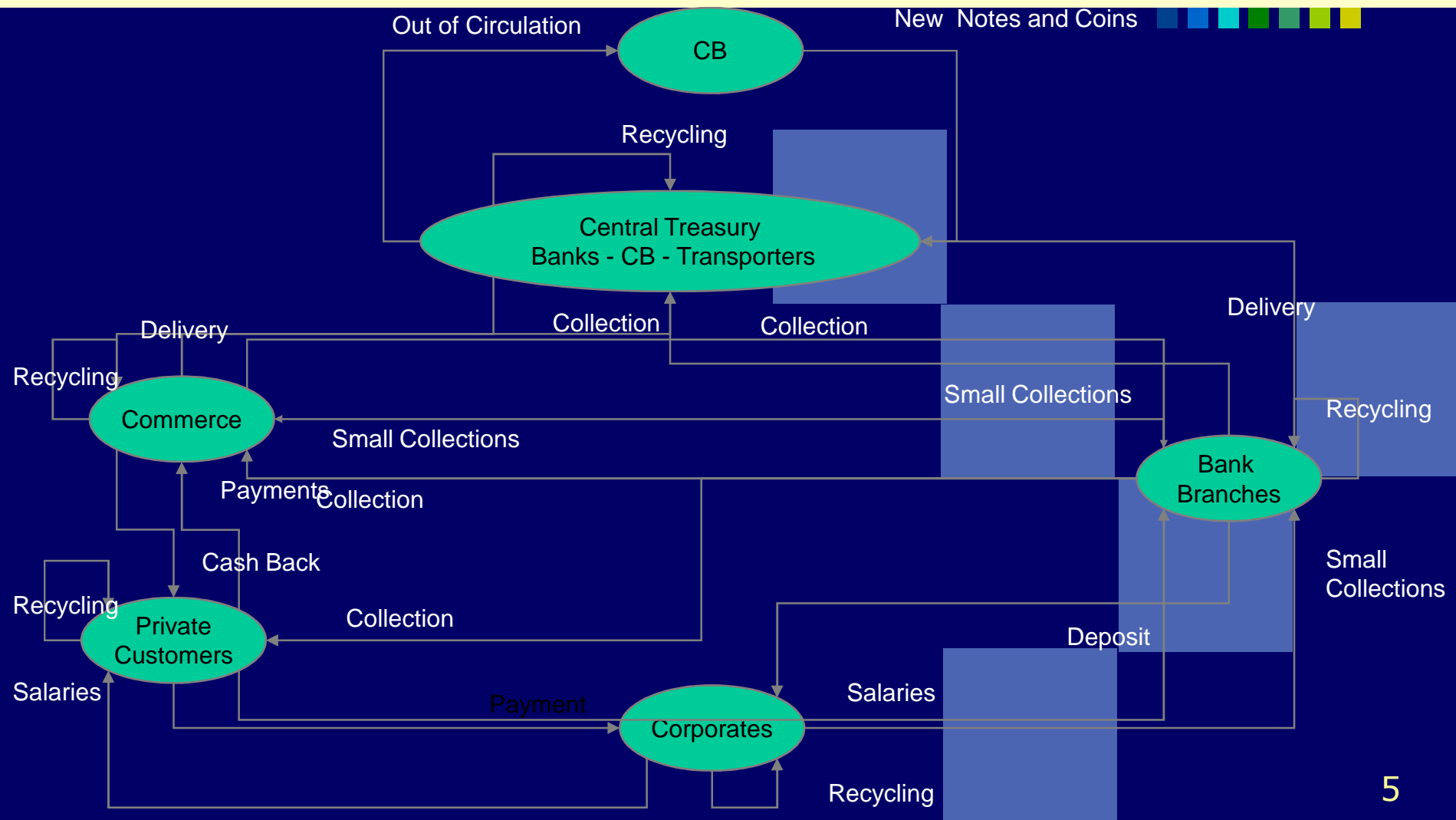


# Providing good service for cash is costly

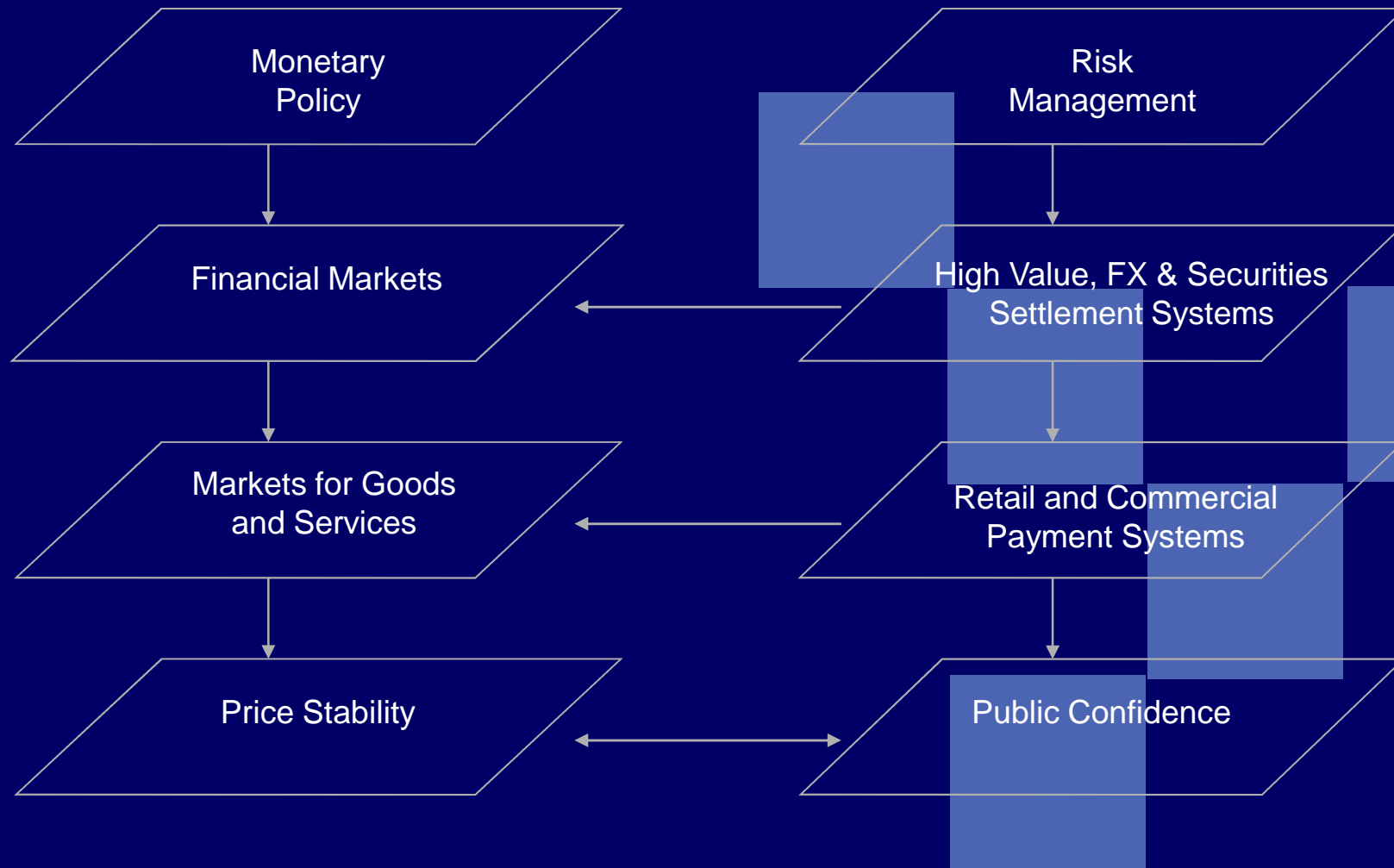


- Outgoing process: automating withdrawals
- Incoming process: optimising teller usage whilst ensuring fitness and counterfeit checking

# The pilgrimage of (e.g.) the EUR 50 note



# Cash matters: e.g. in relation with Monetary Policy, Payment Systems, and public confidence



# 2010 EC Recommendation on the scope and effects of legal tender (1/2)

## Guiding principles regarding protection of legal tender

- Stained notes to be brought back to NCB
- Total destruction of small quantities of banknotes/coins by individuals not prohibited
- Euro collector coins should not be used as means of payment
- Competence to destroy fit euro coins does not belong to national authorities in isolation only anymore
- Mutilation of banknotes and coins for artistic purposes should be tolerated but not encouraged

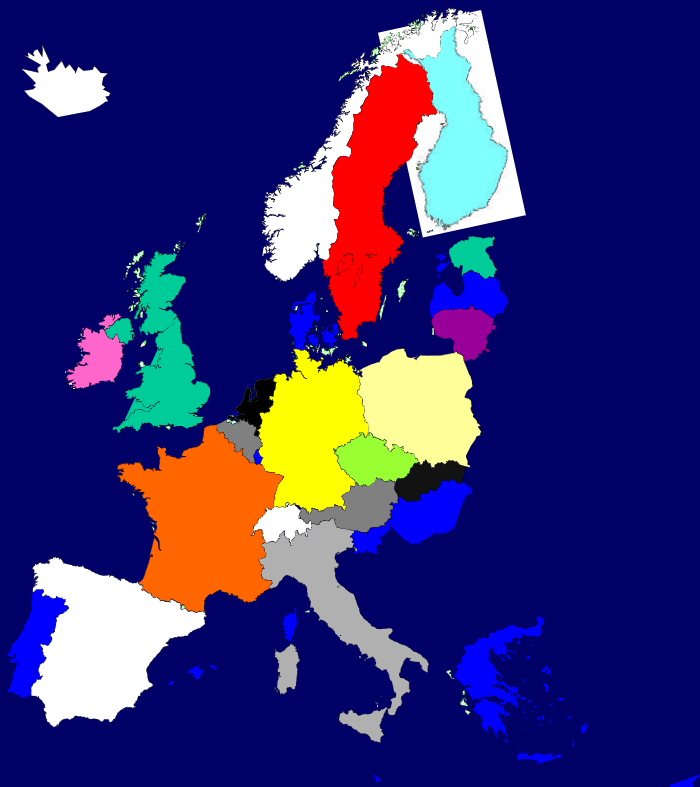
# 2010 EC Recommendation on the scope and effects of legal tender (2/2)

## Guiding principles regarding general acceptance of banknotes and coins

- Concept of legal tender founded on 3 components:
  - a) Mandatory acceptance of notes and coins
  - b) For their full face value
  - c) With a power to discharge debts
- Acceptance of payments in cash for retail transactions should be the rule
- Acceptance of high denomination banknotes should be the rule
- No surcharge should be imposed on payments in cash
- Member States to refrain from accepting new rounding rules



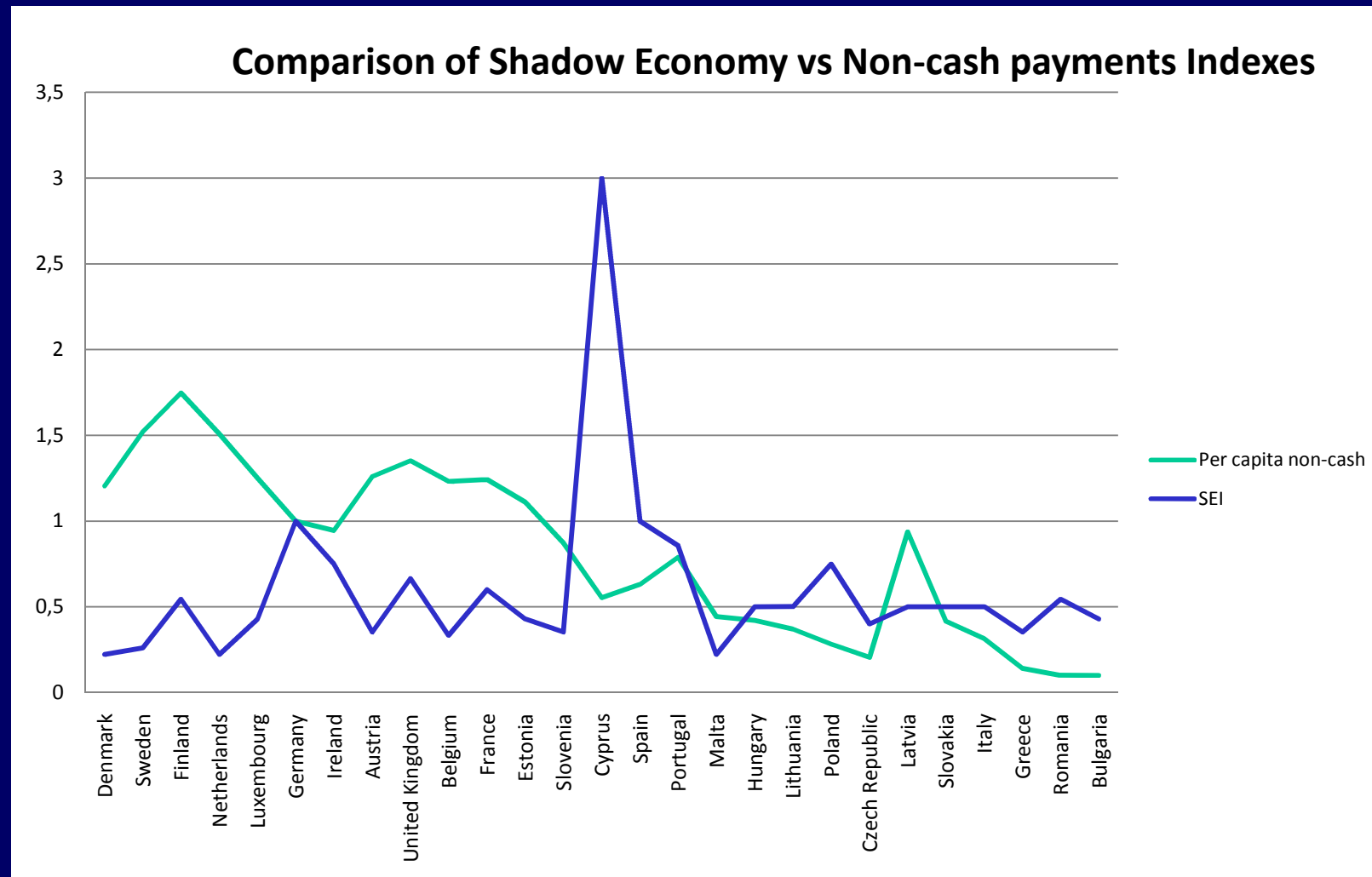
## Eurozone or SEPA: who will be integrated last?



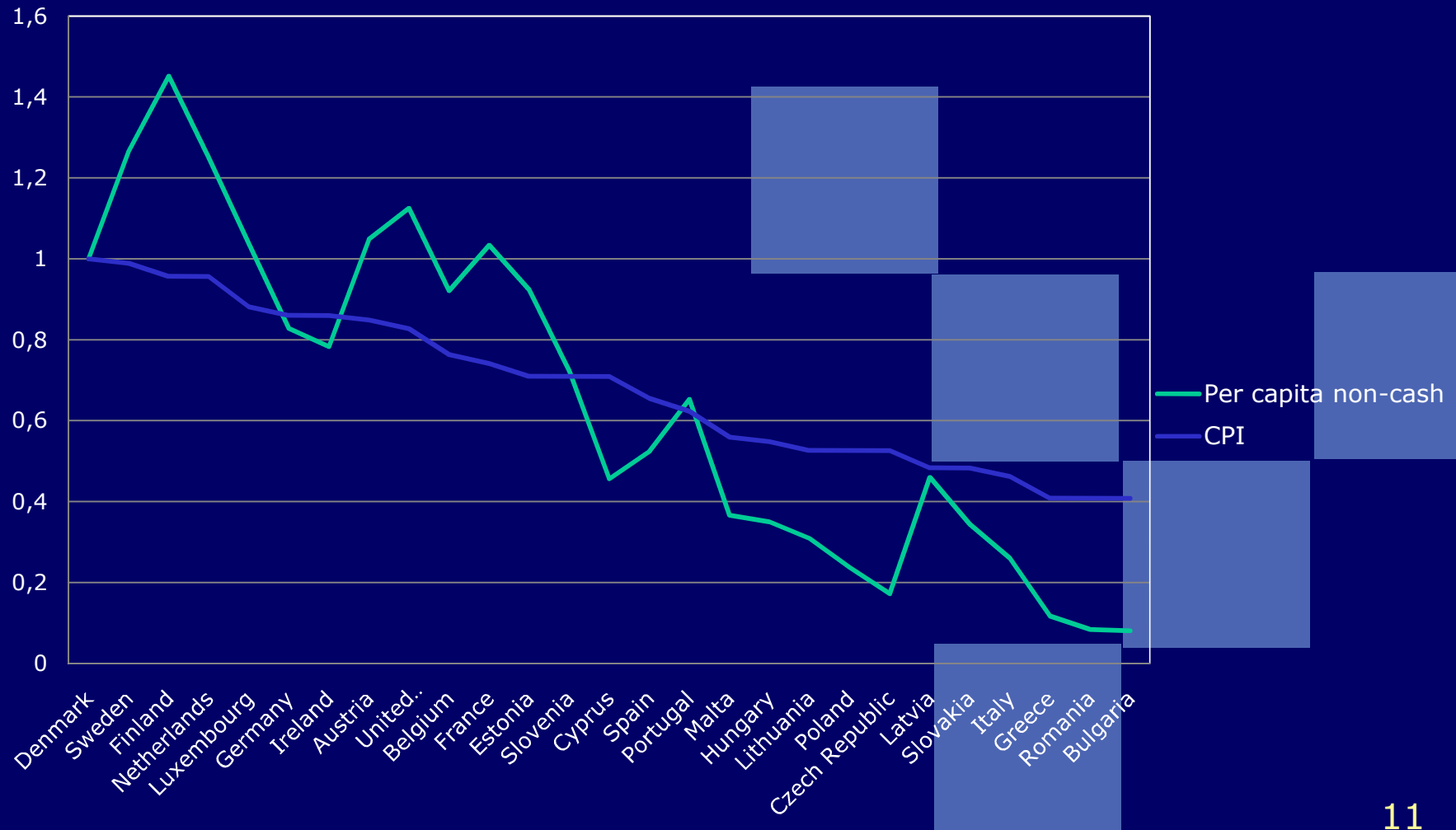
*"The Commission and the ECB see SEPA as an integrated market for payment services which is subject to effective competition and where there is no distinction between cross-border and national payments within the euro area. This calls for the removal of all technical, legal and commercial barriers between the current national payment markets".*

4 May 2006 Joint EC/ECB Statement

# Why such a correlation between the shadow economy index and non-cash payments?



# Why such a correlation between the corruption index and non-cash payments?



# Making electronic payments legal tender?

- Contemporary payment systems are secure (and overseen)
- The PSD provides enhanced consumer protection
- PSD and e-money Directive allow for quality competition
- The principle of indifference must be fully transposed:
  - Do not compel payees to accept legal tender when payment can be settled otherwise without inconvenience
  - In particular no obligation for high denomination notes
  - Show flexibility for coins
  - Allow discounting and surcharging of any payment instrument
- A SEPA legal tender model (for cash & electronic payments) is possible and necessary!

## A few closing thoughts

- The euro must be protected from counterfeiting – and it must look “right”
- Cash will continue to have a place amongst payment instruments
- Access to convenient means of payment must be ensured for all segments of society
- But cash must become affordable for society: it costs more every year than 3 years of SEPA-live cumulated savings
- So: harmonization of legal tender? Yes – provided it caters to the 21st century!
- Let’s shape it!