

Recent developments in euro cash

- A Commission perspective -



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ESTA CASH Conference

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5 topics for discussion

1. Cross-border **CIT**: where do we stand?
2. Single **IBNS** licence for the national and European CIT EU?
3. Discussion on cash **payment restrictions** – what next?
4. What to do with **low value coins**?
5. Average cash payment amounts decreasing: which **'money'** will we use in the **future**?



Cross-border CIT - Recommendations from the 2017 Report

12 licences (2014) - 21 licences (2016) - 28 licences (2018)

- *Information campaign* targeting the cash demand side (banks, supermarkets, retailers) and CIT companies to make more use of matching transport arrangements
- Member States should seek to **apply a wider range of applicable transport arrangements**
- Commission *impact assessment* with a view to **possible legislative improvements**

Where do we stand?

1. **Majority of cash deliveries** or pick-ups in the host Member State?
2. **Restrictions** on transportation of **non-euro cash**?
3. **Member State of origin principle** to be applied to the **transport arrangements** without prejudice to the national firearms rules?

→ Yearly meeting with Member States (autumn 2018)



Single passport of homologated IBNS ?

L 316/14

EN

Official Journal of the European Union

29.11.2011

ANNEX II

INTELLIGENT BANKNOTE NEUTRALISATION SYSTEM (IBNS)

I. Definitions and general provisions

An IBNS may contain either banknotes (packaged or unpackaged) or one or several cassettes for ATMs or other types of cash dispensers.

An IBNS must have been homologated **in a participating Member State** in order to be used for **cross**-border transport of euro cash under this Regulation. The homologation must be made according to an existing European specific standard. As long as there is no such standard, the homologation must be made in accordance with this Annex.

II. IBNS approval procedure

- (a) In order to be homologated, the IBNS must have passed various tests in a test laboratory that has been approved or recognised by a participating Member State. It must furthermore be accompanied by instructions for its use.



Building blocks for discussion on possible uniform IBNS licence



1. IBNS widely-used, but no harmonised homologation testing in EA/EU and no mutual recognition, except for cross-border CIT
2. Union principle of mutual recognition – "free movement of goods"
3. Kicking-off debate with stakeholders including industry: sharing information on national homologation procedures, strengths and weaknesses; definition of minimum standards → *one licence fits all?*
4. Critical mass: Business case? Future of IBNS – only ink-system-based?
5. Soft law solution or need for legal rule: Euro-area or EU (and European Economic Area)?
6. Possible calendar



EU cash payment restrictions?

Context: Combat of terrorism financing

"The Council... calls on the **Commission to explore the need** for appropriate restrictions on cash payments exceeding certain thresholds..." (12/2/2016)

March - May 2017 **Commission open public consultation**

- 95% of reactions: **negative** on restrictions (citizen's freedom, complicated system, ...)
- 5% of reactions: **positive** on restrictions (combat tax evasion and money laundering)





National payment limitations in place in line with EU law

- **16 EU Member States** have **some restrictions** to **cash payments** (BE, BU, CZ, DK, GR, ES, FR, HR, IT, LV, HU, PO, PT, RO, SI, SK)
- Thresholds, transactions and persons concerned **vary extensively** among these MS
- Recital 19 of **Council Regulation** (EC) No 974/98:

"**Limitations** on payments in notes and coins, established by Member States for public reasons, are **not incompatible** with the status of **legal tender** of euro banknotes and coins, provided that other lawful means for the settlement of monetary debts are available."

Results of Commission Study January 2018

- Cash amounts of **terrorism**-related activities overall low value (as value of individual cash payments in general): *EU-wide restrictions on payments in cash would have little impact on terrorism financing*
- EU-wide restrictions on payments in cash would help combating **money laundering** (ML): *ML cash transactions still high value (e.g. cars paid cash and thereafter re-imported for ML purposes)*
- Existing **national restrictions** distort competition and hamper the EU internal market: *move of some cash-intensive business (jewelleries) to non-restriction countries*
- Commission Report to ECOFIN in June 2018 and publication.
- No legislative proposal at this stage, but without pre-empting action at later stage

Future of small coin denominations: facts

Year	All euro coins (in billion)	All 1 and 2 euro cent (in billion)	Percentage of 1 and 2 euro cent coins of all coins issued in the euro area
December 2002	40	14	35 %
End of 2004	54	21	39 %
End of 2007	73	31	42 %
End of 2012	102	47	46 %
End of 2017	126	61	48 %

*"Are you in favour of **abolishing** 1- and 2 euro cent coins in the Euro area and applying mandatory up- and down-rounding of the final sum of purchase in shops and supermarkets (i.e. prices can still be set at any cent amount but the final sum of purchase is rounded at the tills to 0 or 5 cent, depending on whether the sum is closer to 0 or to 5)?"*

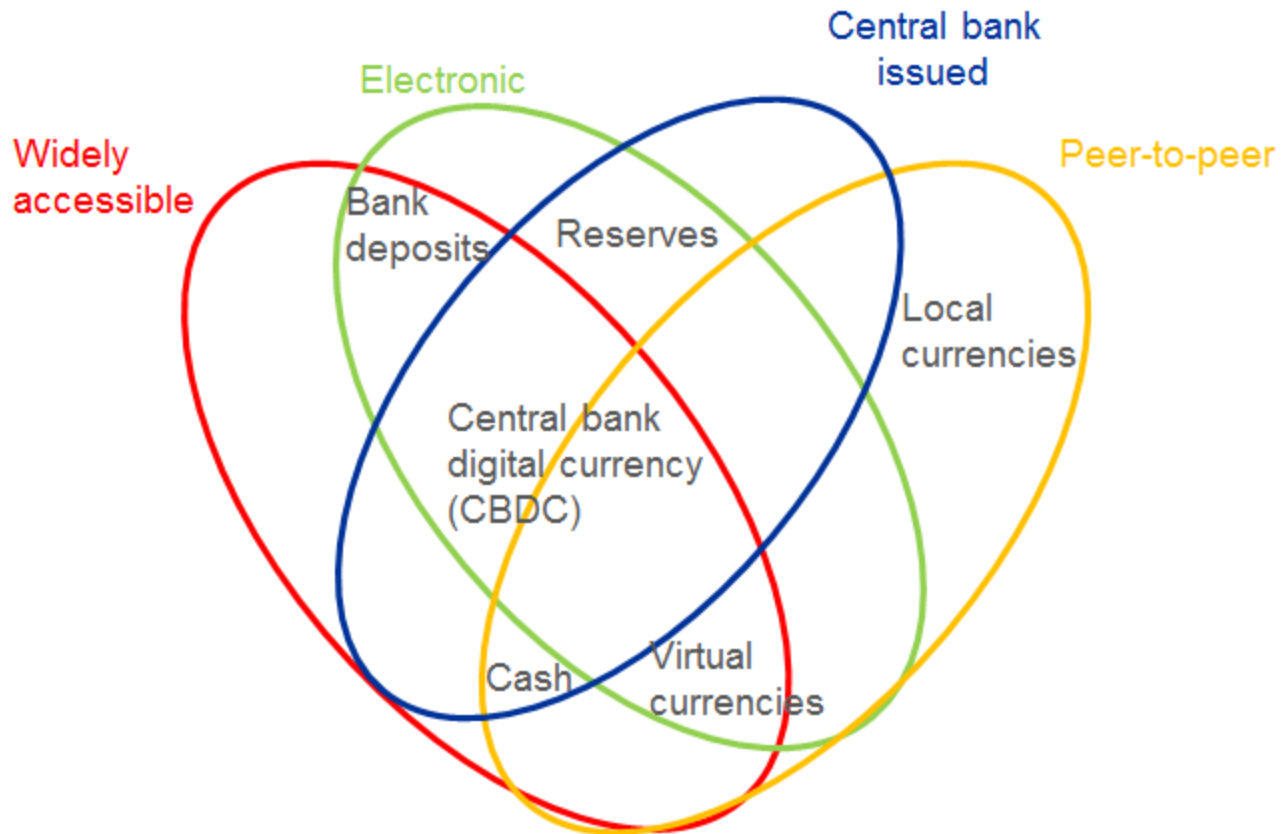
Eurobarometer year	YES	NO	No opinion
2014	60%	37%	3%
2015	59%	38%	3%
2016	62%	36%	2%
2017	64%	33%	3%

Future of small coin denominations: considerations

- (1) *Low purchasing power, one-way use with increasing hoarding, and waste of resources*
- (2) *Negative seigniorage for governments*
- (3) *Coin handling costs compared to face value*
- (4) *Citizens' opinion*

➤ Commission preparing a communication on euro coins (2018)

Money - what to reflect on next?



Decrease of use of cash for payment purposes - New forms of money?

Euro area and Internal Market: Free movement of capital and payments

Money other than euro cash and common e-money, usable for payment/debt settlement

Prerequisites:

Medium of exchange + unit of account + store of money

- Virtual currencies?
- Private money?
- Central Bank-issued Digital Currency? → Legal basis in the EU-Treaties?

→ EU duty: allow for payments and keep systems efficient!

→ **Euro area:** one dimension - **Internal Market:** cross-border dimension

Questions?

Observations?

