

Recent developments in euro cash

- A Commission perspective -



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ESTA CASH Conference

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Topics discussed at 2018 conference

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**?

Where do we stand and what is new in 2019?



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/conf call with Member States (autumn 2019)



Cross-border CIT – Regulation: situation in 2019



Case not covered by CIT-Regulation !

NO-NEWS



CIT market consolidation !



Single passport of homologated IBNS ? Discussions in 2018



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



Single passport of homologated IBNS ? Situation in 2019



SORRY NOT
INTERESTED





EU cash payment restrictions? Discussions until 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

EU cash payment restrictions: situation in 2019

NO ACTION REQUIRED

... currently for initiative at European level.

But watch out for cash restrictions:

- **'No cash policy'** by some **public administrations**:
Practice in line with EU-law? *Euro cash as (sole) legal tender!*

Request by German Federal Administrative Court for preliminary ruling
by the Court of Justice of the European Union (ruling pending)

- **Ban of high denomination banknotes** to combat crime:
draft national law sanctioning use of 500 euro banknote?



Future of small coin denominations: discussions in 2018

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: 2019

- (1) Low purchasing power, one-way use with increasing hoarding and waste of resources
- (2) Negative seigniorage for governments
- (3) High coin handling costs compared to face value
- (4) Citizens' opinion (annual polls since 2014)
Stable > 60% say: “No 1 or 2 euro cent coins anymore”

***In principle two scenarios:
Quick withdrawal or fading out.***

But Member States to be convinced!



➤ Commission Report on euro coins (2018)

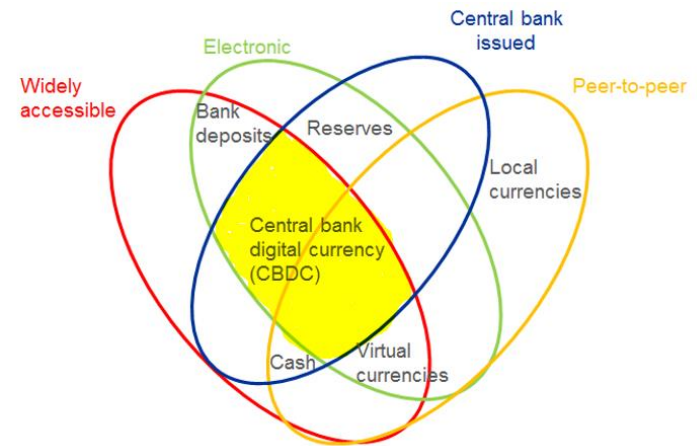
Decrease of use of cash for payment purposes - New forms of money (other than virtual currencies and private money)?

Reflections in 2019

- Euro **banknotes** and **coins** = (sole) legal tender
- **Scriptural money** and **e-money** of licensed payment providers fully convertible into legal tender
- **Central Bank-issued Digital Currency ?**

Reflections, but no concrete actions

- No centralised or steered discussion yet
- Legal basis in the EU-Treaties?
- Monetary policy, financial intermediation and payment market effects to be studied
- Two different types of legal tender in parallel? Role as international/global currency?
- Acceptance by the public? Benefits vs. risks analysis



Questions?

Observations?

