

Recent developments in euro cash matters

- A Commission perspective -



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Main topics at the front line

1. **Cross-border CIT**: where do we stand?
2. **Combat of crime and cash payment restrictions** – what next?
3. **To do away with low value coins** – how and when to come?
4. **Legal tender** of euro cash – acceptance and availability of cash?
5. **Digital euro** – foundations and link with euro cash?

Where do we stand and what does it mean for the cash industry?



Cross-border CIT - Recommendations from the 2022 Report

12 licences (2014) - 21 licences (2016) - 28 licences (2018) – 23 licences (2022)

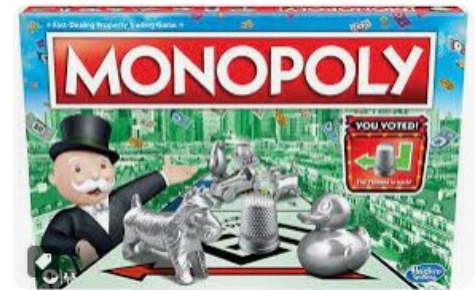
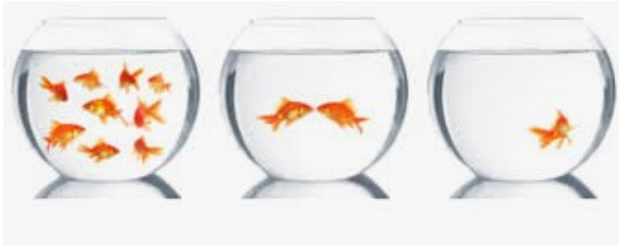
- **Information campaign** targeting the cash demand side (banks, supermarkets, retailers) and CIT companies to make more use of matching transport arrangements
- Member States should seek to **apply a wider range of applicable transport arrangements**
- The Commission will commission an **external study** in order to assess the current economic situation on the cross-border CIT market, review the rules in place in Member States and assess the level of disparities between them

Where do we stand?

1. **External study in Q3/Q4 2024:** open end
2. **Definition of x-border CIT – majority host rule – 20%-rule**
3. **Member State of origin principle** to be applied to the **transport arrangements** without prejudice to the national firearms rules?
4. **Reflection: host country licence & principle of non-discrimination & free movement of services**



CIT market concentration possibly due to less demand for cash services



National or European competition authorities to investigate.

No indication today.



Single passport of homologated IBNS?

- One licence fits all?



- Challenge: Critical mass? Business case? Future of IBNS – only ink-system-based?





EU cash payment limitations

- **Commission** proposal as part of a legislative package to strengthen combat of money laundering, terrorist financing and evasion of EU sanctions:
€ 10,000
- Proposal now with **European Parliament**:
€ 7,000
- **Council** (Member States):
discussions to start
€ ???



(No) Future of small coin denominations

- (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”



→ *More and more Member States introduce rounding*

Commission expected to adopt legal proposal end of June (TBC).

- *Amendment of Regulation on denominations and on issuance of euro coins:
1c2c coins dropped and rounding of final sum to closest 5 cent.*
- *Preparation: one year to enter into force – loss of legal tender - one year for redeeming at commercial banks
– redeeming at National Central Bank for indefinite time*
- *(1) Abolition: Council to decide but EP and ECB to be consulted (2) Rounding: Council and EP to decide
after consultations of ECB*



Legal tender of euro cash: acceptance and availability (1)

- ❑ *Covid 19 and other: decline of cash and attrition of ATM network*
- ❑ *CJEU judgement “Häring”: euro banknotes and legal tender*
- ❑ *ELTEG discussion and ECB SPACE study (2022): need for regulation*



→ *Role of euro cash as legal tender to be strengthened :*

Acceptance as a rule and availability of cash (= cash infrastructure?)

Possible EU « legislative package » to strengthen the euro (proposal poss. June 2023)

1. Regulation on the scope and effects of, and access to euro banknotes and coins
2. Regulation as regards discontinuation of 1c2c coins and Regulation on rounding
3. Regulation establishing the digital euro + amendment of Regulation Payment Service Providers and AML

Legal tender of euro cash: acceptance and availability (2)

What will the Regulation likely state?

→ Acceptance of euro cash

- ❖ Mandatory acceptance as a rule, exception only if good faith or monetary law nature, no ex-ante exclusion (sticker or general terms)
- ❖ Member States to monitor and assess acceptance; annual reports to Commission and ECB; Commission implementing acts possible
- ❖ Interaction between euro cash and digital euro (both are legal tender)



→ Measures to ease the access to cash



- ❖ Member States to ensure sufficient and effective access
- ❖ National authority with regulatory powers over cash-related market activities
- ❖ Commission with ECB to adopt implementing acts for common indicators allowing Member States to assess availability of cash

→ *CIT business concerned?*

Digital euro

*Why (some) stakeholders want to go for **Central Bank Digital Currency**:*

- ❖ Cash decline threatens to marginalize the sole source of central bank (public) money: balance central bank money and private digital means of payment (change at par); foster monetary policy, financial stability and robust payments markets
- ❖ Growing digital economy and growing interest of households to keep digital assets
- ❖ Tackling some central banks' perception that their role as payments innovators erodes



The plan: digital euro to become legal tender !

Digital euro: key directional choices to be made for a balanced approach

1. Legal tender: general prohibition of unilateral exclusion of digital euro versus contractual freedom + interaction with Regulation on euro cash
2. Territorial application to merchants outside the euro area?
3. Distribution of digital euro by payment service providers: voluntary or mandatory?
4. Mitigating impact on private credit intermediation and competition with instant payments: holding limits
5. Remuneration of payment services providers: framed vs market pricing
6. Privacy: cash-like treatment vs. stricter regime closer to private electronic payments; payment limitations?

Monetary policy, euro area law, internal market law, competition law, data protection law, trade law, payments, financial and banking law



Digital euro: cannibalisation of euro cash?

Some **stakeholders** including credit institutions concerned about **possible negative impact**:

They plead for safeguards **limiting the store of value** function **and limiting crowding out effects** on private means of payments (payment service providers).



Others plead **not to create undue barriers** that may curb the uptake of the digital euro or limit the efficiency and innovation stirred by the introduction of a new payment solution in the euro area.

→ *Digital euro to compete with electronic payment systems ...*

... but consumers captured by usual payment service provider anyway?

→ *Impact on cash demand? Will traditional cash users use/change to digital euro?*

→ *Costs and speed of payment means: what can it do more than instant payments can?*

<https://www.imf.org/en/Publications/WP/Issues/2022/02/04/Falling-Use-of-Cash-and-Demand-for-Retail-Central-Bank-Digital-Currency-512766>

Digital euro: its legal framework

- ☐ Regulation on establishing the digital euro
- ☐ Amendment to Regulations on payment services, cross-border payments and payment accounts
- ☐ Amendment to Regulation on combatting money laundering and terrorist financing
- ☐ Alignment with (future) European Digital Identity Wallet Regulation (proposal 2021)
- ☐ Compliance with European data protection rules
- ☐ Technical aspects: ECB to develop and set by separate legal acts of its own competence



1. *Commission to propose
(after stakeholder consultation and impact assessment)*
2. *European Parliament and
Council (= representatives of
EU Member States) to lay down measures*
3. *After consultation of ECB*
4. *Commission to review regulation after five years*

Technical aspects: ECB



Thank you very much!

