

Recent developments in euro cash matters

- A Commission perspective -



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ESTA CASH Conference

Prague, 3 - 4 June 2024



Main topics at the front line

1. **Cross-border CIT**: where do we stand?
2. **Combat of crime and cash payment restrictions** – what's the number?
3. **Legal tender** of euro cash – acceptance and availability of cash?
4. **Digital euro** – foundations and link with euro cash
5. **Coin processing** and authentication of euro coins

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 (2024)

- **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 starting in Q4 2024:** results expected in October 2025
2. **CIT situation** in euro area Member State / meeting with ESTA 2025 / meeting with social partners
3. **Definition of x-border CIT – majority host rule – 20%-rule : economic implications**
4. **Member State of origin principle** to be applied to the **transport arrangements** without prejudice to the national firearms rules?
5. **Reflection: host country licence & principle of non –discrimination & free movement of services**



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
- **European Parliament** and **Council**:
 - *An EU-wide maximum **limit of €10 000 is set for cash payments.** Member states will have the flexibility to impose a lower maximum limit if they wish.*
 - *In addition, obliged entities will need to **identify and verify the identity** of a person who carries out an occasional transaction in cash **between €3 000 and €10 000.***

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 (proposals of 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? **No!**
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?*



State of play of the legal tender of cash

14th May 2024

On the Council side

In total, so far, five Council Working Parties were organised, all under the ES Presidency.

Before the end of their mandate, the ES Presidency drafted a progress report on the single currency package as a whole which was then presented to the ECOFIN of 8 December.

The ES circulated drafting suggestions on the full proposal which were discussed in these last Council Working Parties meetings at end of last year. The ES Presidency also circulated two notes: one on mandatory acceptance and unilateral exclusions, and a second on miscellaneous issues including common indicators.

On the Parliament side

A total of 178 amendments have been tabled in ECON: 25 amendments tabled by the rapporteur Stefan Berger in his draft report on 10/1/24 and 153 amendments tabled by political groups on 29/1/24.

On 14/2/24 there was an ECON committee discussion on the amendments tabled by the rapporteur and the political groups. There was a broad support for the proposal whilst the rapporteur pointed out that many parties agree to the need to preserve cash so that we don't move to a solely digital payment society.

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 in retail and hybrid format 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*

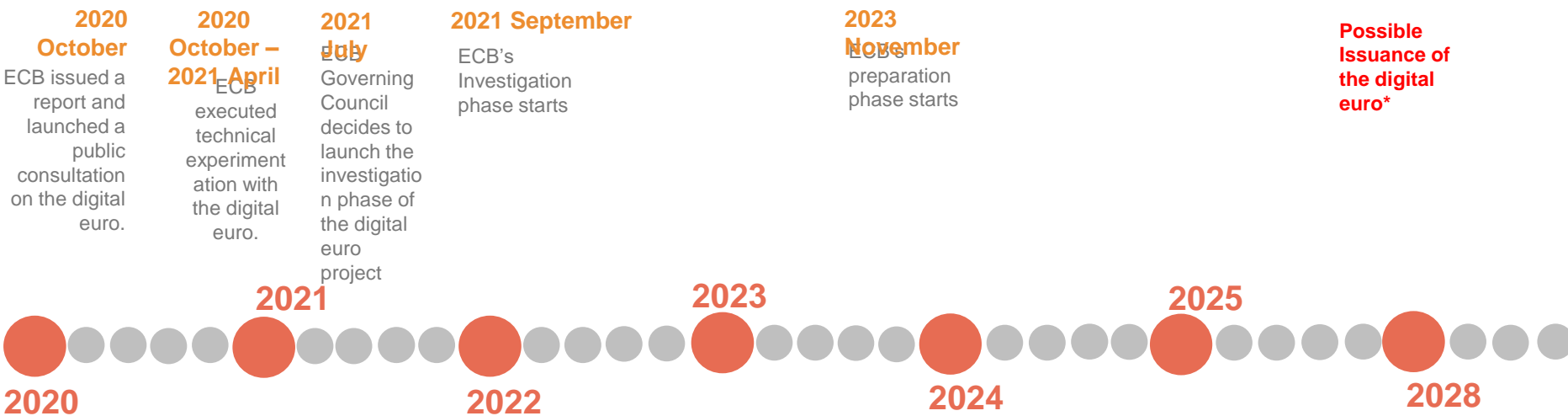
Technical aspects: ECB



State of play of the digital euro file



ECB work



Commission Parliament Council EG filière work



** depending on the legislative proposal and depending on the time needed for development*

From the Commission's side

- Single Currency Package (cash legal tender & digital euro proposals) published on June 28th 2023
- Continued active engagement with Member States in Council negotiations, with EP committees and EP political groups as well as with other stakeholders.
- **Regular contacts with the ECB** in the context of the preparation phase to ensure alignment with the proposal.
- The digital euro needs both a **solid democratic basis** and a robust and **well-developed technological infrastructure**, both of which may require some time. Thorough discussions in Council and Parliament are welcome and speed should not count more than thoroughness.



On the Council side

- Discussions in the Council Working Party started under the Spanish Presidency (ES PCY) and continue under the Belgian Presidency (BE PCY).
- ES PCY organized six CWP and submitted a progress report end of December 2023. BE PCY has organized five CWP so far.
- Discussions have been constructive, where MS have raised a number of important technical questions, but also **broad agreement could be found on a number of fundamental discussion points**, including provisions related to the legal tender status of the digital euro.
- The ECB has provided technical presentations on several topics including privacy, data flow and offline digital euro applications.



... Poland, Denmark, Cyprus

On the Parliament side

- The ECON Committee leads the discussions on both texts (i.e. digital euro and cash legal tender proposals), whereas for the digital euro, the Committee on Civil Liberties, Justice and Home Affairs (LIBE) has also delivered an opinion.
- The ECON rapporteur's draft report, released on 9 February 2024, was followed by over **600 amendments proposed** by committee members, revealing a number of areas of disagreement.
- Contrary to the initial (ambitious) timeline, **no vote on the digital euro file will take place in ECON or Plenary in today's Commission mandate.**
- Upcoming EP elections introduce an element of uncertainty, both with respect to formal responsibility for the file as well as overall attitude towards the digital euro.



Authenticity and fitness checks of euro coins Regulation (EU) 1210/2010



1. Commercial Banks, bureaux de change, transporters of funds and other economic agents (“institutions”) legally obliged to authenticate and fitness-check euro coins
 2. Mandatory on the spot controls by EU Member States of coin processing machines used by institutions
 3. 25% net issuance- and 3-highest denomination rule
 4. Industry and public authorities “platform”: annual exchange of view and practices
 5. Outsourcing of institution tasks to CITs ... but low margin and little interest? Who does the job?
 6. Risk that checking and authentication will move to Central Banks (in a central or decentralized way)?
- CITs to join platform in October 2024 (Zagreb)* to share insights and fuel the discussion

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Thanks for your attention & keep cash ... *moving!*

