

World**Banknote**Summit

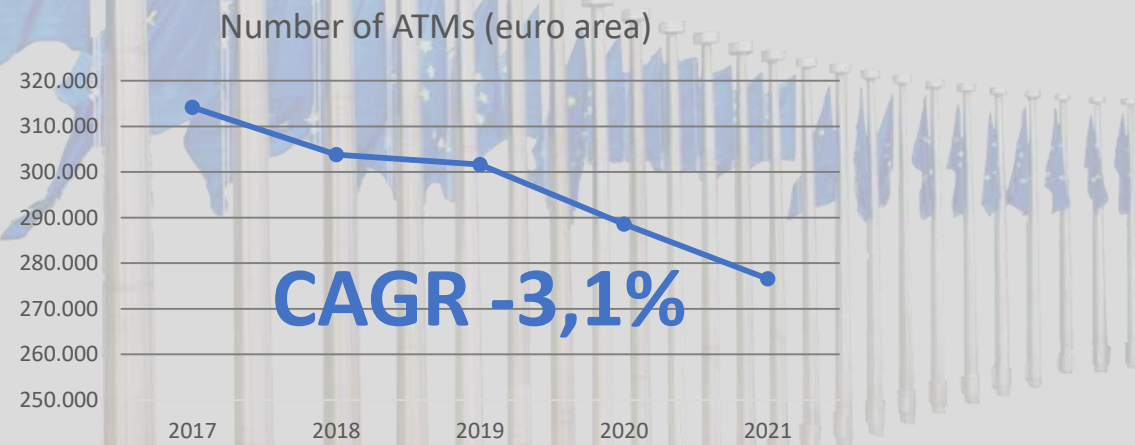
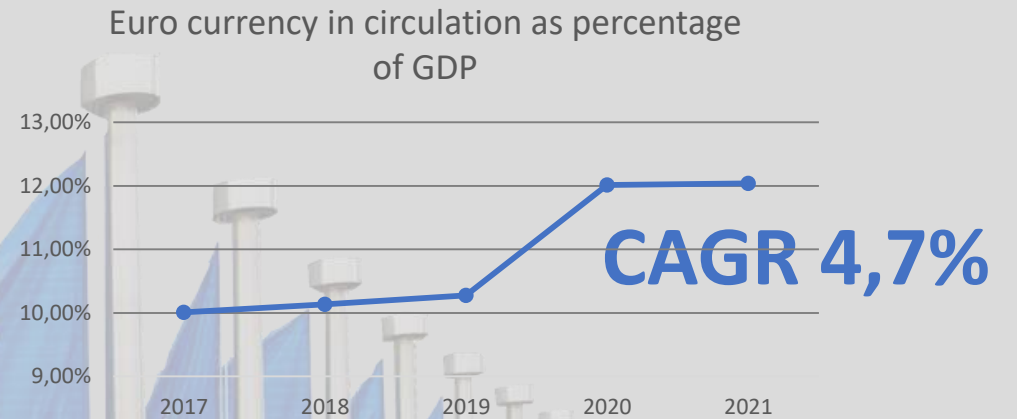
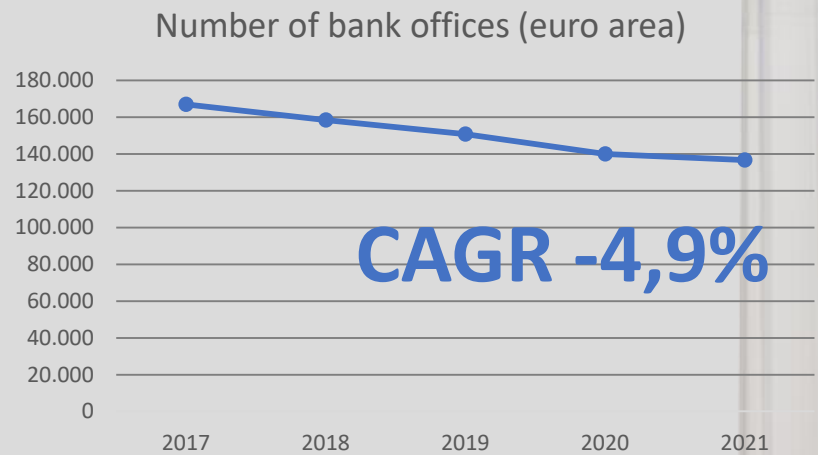
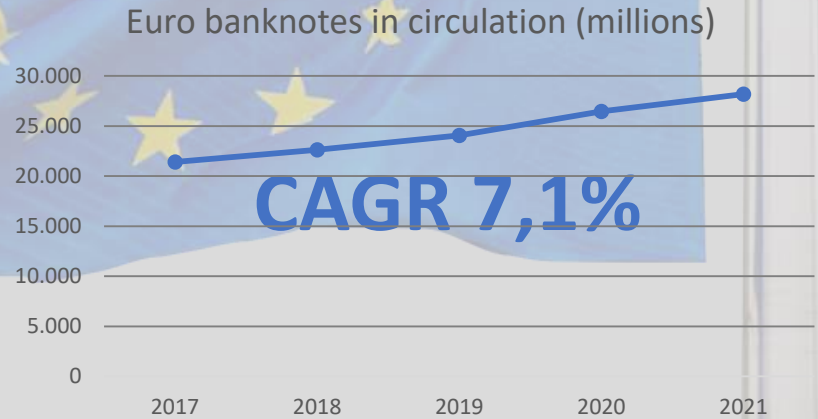
Developments in the EU Cash Cycle

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World Banknote Summit – Antwerp – 21 February 2023

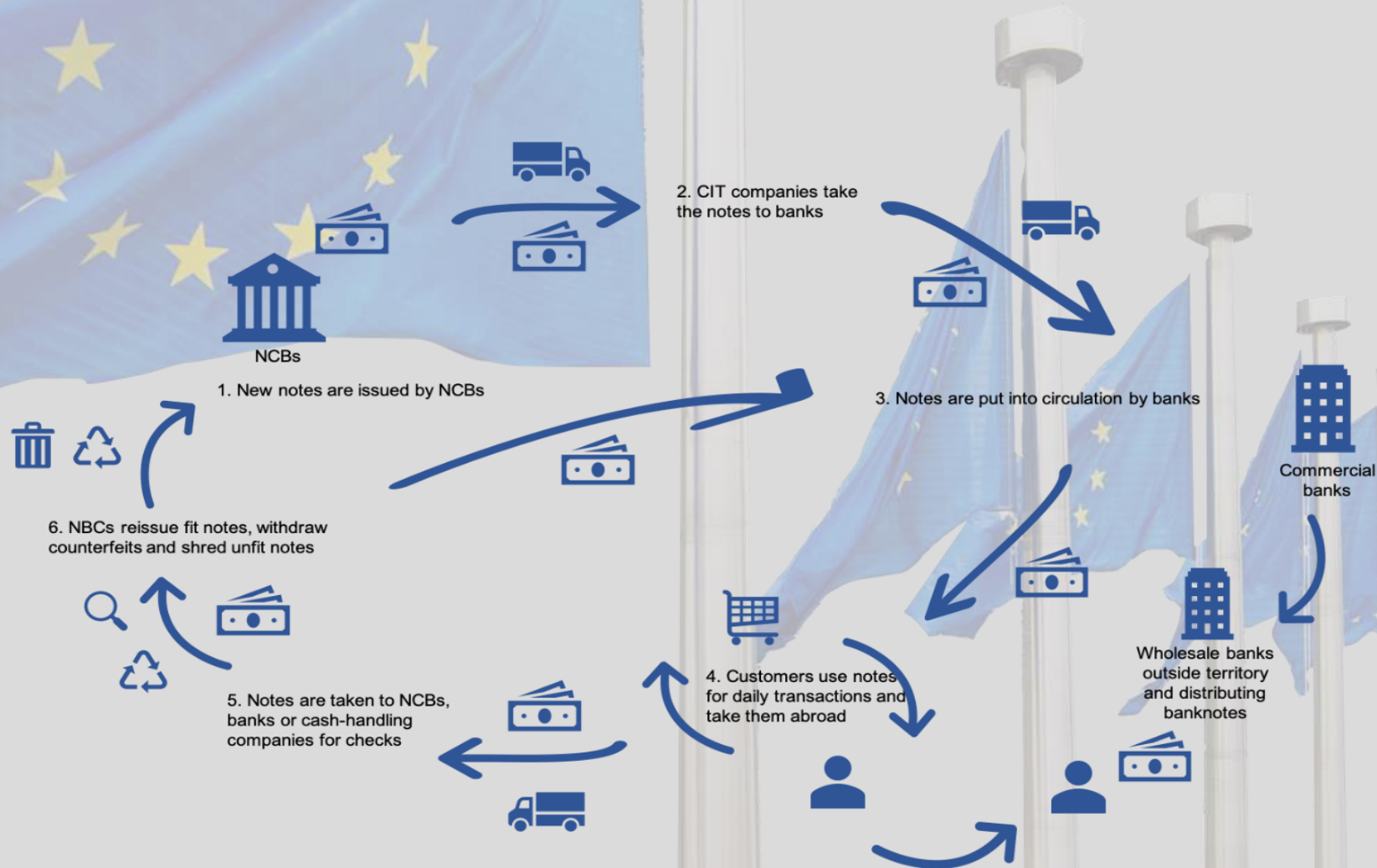
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Euro cash in circulation is increasing whilst usual cash access points are decreasing



Source: European Central Bank – Statistical Data Warehouse

The Cash Cycle



Issues:

Access to cash
Acceptance of cash

Is cash a public good?
Or a utility?

What does legal tender mean?

Source: European Central Bank

What is happening?

Eurosystem

- The Eurosystem's Cash 2030 Strategy

Euro Retail Payments Board (ERPB)

- Study on Access to and Acceptance of Cash

European Commission

- Legal Tender legislative proposal (expected)
- AML Directive

ECB vision: in 2030, cash will continue to remain widely available and accepted and store of value

Five objectives:

1. Eurosystem ensures the **issuance of cash**
2. Eurosystem supports **access to cash services (withdrawals and deposits)** for all EA citizens and businesses
3. Eurosystem defines **acceptance of cash** as essential for the **freedom of choice** how to pay
4. Eurosystem ensures **innovative and secure** euro banknotes
5. Eurosystem ensures the **health & safety** of banknotes and endeavors to reduce cash's **ecological footprint**

The Euro Retail Payment Board (ERPB) working group on access to and acceptance of cash (2021 report)

Conclusions

- The need to ensure a continuous access to and acceptance of cash, despite several obstacles identified in this report, stems from a number of its unique functions.
- For users, the functions of cash are: inclusiveness, budgeting, store of value, autonomy and privacy.
- From a payment system perspective, cash fulfils the following functions: back-up, legal tender, only public money available to general public.

Recommendations

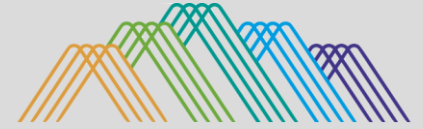
- The evolution of access to and acceptance of cash could be further monitored either via a new ERPB working group or a dedicated body (e.g., EFIP given the membership of NPCs and/or ECAG) in consultation with industry stakeholders
- As part of the above follow up work, a study on the societal costs and benefits of different payment instruments in the euro, provided a representative number of participants will be guaranteed.

Legal Tender – Proposal expected 2023 Q2

- Cash is the only legal tender in EU, following a Commission Recommendation from 2010.
- Does legal tender mean mandatory acceptance? CJEU (2021): yes, however, deviations are possible if in public interest.
- Commission to regulate legal tender:
 - Codification of CJEU ruling;
 - Cash availability considered key element too. Role of banks considered key. Member states expected to monitor coverage. Policy measures or soft law at member state level, or at EU level.
 - Digital euro – legal tender.

AML/CFT/KYC

- The 2021 AML package proposed a single rulebook (AML Regulation, 6th AML Directive, revised Transfer of Funds Regulation) and the establishment of a EU-wide AML authority (AMLA) with direct supervisory powers over certain entities.
- Identified concerns include a **limit to large cash payments (Art. 59 AMLR)**, excessive Beneficial Owner identification (Art. 42 AMLR), limited outsourcing (Art. 40 AMLR) and an excessive list of subjects to PEP rules (Art. 36 AMLR).
- The Council adopted their positions in 2022. The Parliament is expected to finalise its position in April 2023.
- The final texts could enter into force in Q3/Q4 2023.
- AMLA to be fully operational by 2026.



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THANKS FOR YOUR ATTENTION!

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