

The legal framework of euro cash: euro banknotes and euro coins

DG Economic and Financial Affairs

These slides accompany the explanation of the acquis to Albania and North Macedonia and can only be used for that purpose. Their content is subject to further development of the acquis and interpretation by the Court of Justice of the European Union'

Issue of banknotes and coins

Article 282 (3) TFEU: Only the ECB may authorise the issue of the euro.

Article 128 TFEU: Rules regarding cash issuance differentiate between banknotes and coins:

Banknotes

- ECB authorises the issue.
- ECB and NCBs may issue.

Coins

- ECB authorises volume of the issue.
- Member States may issue.

Issue of banknotes and coins

Smooth circulation of banknotes and coins and the interests of **legal certainty and transparency** require more detailed common rules in **secondary law** (based on Art. 128 (2) TFEU and Article 133 TFEU).

Banknotes

Standardisation by legal acts of ECB

on specifications, reproduction, withdrawal, mutilated banknotes, authenticity and fitness checking, recirculation, ...

Coins

Harmonisation by legal acts of Council/Commission/ECB

on specifications, common principles, information obligations, authenticity and fitness checking ...

Legal acts of the Council for common rules for banknotes and coins on the combat of fraud and counterfeiting.

Banknotes

Article 128 (1) TFEU

The European Central bank shall have the exclusive right to authorise the issue of euro banknotes within the Union.

The European Central Bank and the national central banks may issue such notes. The banknotes issued by the European Central Bank and the national central banks shall be the only such notes to have the status of legal tender within the Union.

Banknotes

- The **Governing Council** (= Executive Board + EU Central Banks) of the ECB is the decision making body who authorises the issue of euro banknotes (**Article 16 of the Statute of the ECB**).
- ECB does not issue own banknotes, but 8% of all issued banknotes are attributed to it when it comes to the **distribution of the seignorage**.
- Banknote issuance is allocated within the Eurosystem pursuant to the **banknote allocation key** which corresponds to the capital key of the NCBs of the Eurosystem complemented by the 8% share of the ECB.

Decision ECB/2010/29 as amended

Banknotes

(1) ECB established rules for

- Denomination of banknotes (5, 10, 20, 50, 100, 200 and 500 Euro).
- Specifications of the banknotes

No national symbols in design.

Common design for all Member States.

Alphabetical character indicates issuing NCB.

All banknotes legal tender in all Member States (and third countries covered by a Monetary Agreement with the EU).



Decision ECB/2013/10 and Guideline ECB/2003/5

Banknotes

(2) ECB established rules for

- Reproduction of banknotes (= tangible or intangible image that uses all or part of a euro banknote)
- Exchange of mutilated or damaged banknotes
- Withdrawal of banknotes

Decision ECB/2013/10 and Guideline ECB/2003/5

- Authenticity and fitness checking and recirculation of banknotes

Decision ECB/2010/14

- Procurement of banknotes/ accreditation of manufacturers

**Guideline ECB/2014/44 on the establishment of the
Eurosystem Production and Procurement System**

Coins

Article 128 (2) TFEU

*Member States may issue **euro coins** subject to approval by the European Central Bank of the volume of the issue.*

The Council, on a proposal from the Commission and after consulting the European Parliament and the European Central Bank, may adopt measures to harmonize the denominations and technical specifications of all coins intended for circulation to the extent necessary to permit their smooth circulation within the Union.

Coins

- **Member States determine** their respective **issuing authority** and producing mints.
- Accordingly, **Member States retain the seignorage** resulting from their respective coin issuance. No shared or divided seignorage (./. banknotes).
- **ECB authorises the entire volume** of coins including coins intended for circulation and coins not intended for circulation.
- **Euro-Coin Sub-Committee** of the Economic and Financial Committee of the EU.

Coins

Coins intended for circulation: **regular and commemorative coins**

Common European side for all Member States.

Distinctive National side per issuing Member State.

Legal tender in all Member States.

Coins not intended for circulation: **collector coins**

To be easily differentiated from circulation coins (face value).

No legal tender outside of the issuing Member State.



Regulation (EU) No 651/2012 on the issuance of euro coins

Coins

Coins intended for circulation (= regular circulation coins and commemorative coins)

- Uniform denominations and technical specifications (diameter, thickness, weight, colour, composition and edge), denomination of 1, 2, 5, 10, 20 and 50 Cent and 1 and 2 Euro coins.
- Common principles for the designs used for the national sides.
- Uniform conditions for the approval of the designs of the national sides.
- Information obligations about draft designs.
- Periodical review of denominations against the criteria of cost and public acceptability (especially continued issue of 1 and 2 euro cent coins).

Council Regulation No 729/2014 on denominations and technical specifications of euro coins intended for circulation



Coins

Coins intended for circulation (= regular circulation coins and commemorative coins)

Examples:



European side



Belgium



Slovenia



Malta



San Marino

Legal tender

Legal tender status

- Banknotes: **Article 128 (1) TFEU.**
- Banknotes and Coins: **Article 11 Council Regulation No 974/98.**
- Collector coins: Restricted status, **Regulation No 651/2012.**

*Except for the issuing authority and for those persons specifically designated by the national legislation of the issuing Member State, no party shall be obliged to accept more than **50 coins** in any single payment.*

Council Regulation No 974/98 on the introduction of the euro

Legal tender

Interpretations of **what legal tender status means may still differ** across countries, depending on Member States' pre-euro legal traditions.

Therefore, Commission developed **guiding principles of legal tender status**:

- The concept of legal tender should rely on three main elements:
 - Mandatory acceptance,
 - Acceptance at full value,
 - Power to discharge from payment obligations.
- Acceptance of payments in cash and of high denomination banknotes should be the rule (a refusal is only possible if grounded on reasons related to the 'good faith' principle).
- No surcharges should be imposed on payments in cash.
- Special case: banknotes stained through 'intelligent banknote neutralisation devices'.

Commission Recommendation 2010/191/EU

Prevention of fraud and counterfeiting

- System of **gathering and analysis of data/ data sharing/ communication/ cooperation** between national competent authorities (mainly NCBs), ECB, Commission, Europol (agreement ECB –Europol).
- Obligation of national competent authority to **transmit every new type of counterfeit** banknotes to ECB, counterfeit coins to the National Analysis Centre(s) and Commission and ECB where indicated.
- **Authentication** of banknotes and coins.

Council Regulation No 1338/2001 laying down measures necessary for the protection of the euro against counterfeiting, as amended

Council Regulation No 2182/2004 concerning medals and tokens similar to euro coins, as extended and amended

Council Decision No 2001/887 on the protection of the euro against counterfeiting

Regulation (EU) No 1210/2010 concerning authentication of euro coins

Decision ECB/2010/14 concerning authentication of euro banknotes

Prevention of fraud and counterfeiting

- Police cooperation/ judicial cooperation in criminal matters: euro counterfeiting europe-wide sanctioned

Directive 2014/62/EU on the protection of the euro and other currencies against counterfeiting by criminal law

- "Pericles" programme(s): multilateral euro protection programme

Regulation (EU) No 331/2014 establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting ('Pericles 2020' programme)

- Counterfeit Monitoring System of the ECB (among other ECB provisions)

Decision ECB/2001/11

Copyright protection

Banknotes

- Copyright held by ECB.

Decision ECB/2013/10 on the denominations, specifications, reproduction, exchange and withdrawal of euro banknotes

- Enforcement measures on national and ECB level.

Article 132(3) TFEU

Coins

Common European side

Copyright transferred from EU to the Member States.

Protection by the Member States within their territory.

Communication from the Commission on copyright protection of the common face design of the euro coins, COM (2001) 600 final

National side

Protection pursuant to National Law.

Cash in transport (CIT)

Single licence for professional cross-border euro cash transport by road

- Principle of the **free circulation of the euro** and of **freedom to provide services**.
- Euro introduction **raises need for cross-border transport of cash**.
Member States may arrange for euro banknotes and coins to be produced abroad. Also banks and the large retail sector may want to take advantage of the nearest NCBs branch or cash centre of a cash-in-transit company (CIT), even if it is located in another Member State.
- This requires general **common rules on professional cross-border transport of cash** in order to guarantee fair competition amongst CIT providers, the **security** of the transaction, the **safety** of the CIT security staff involved and of the public and of the free movement of euro cash.

Regulation (EU) No 1214/2011, as extended



Thank you for your attention!