

# EPIF position paper on the legal tender of euro banknotes and coins

November 2023

## Introduction

In June 2023, the European Commission presented a new legislative proposal clarifying euro cash as *legal tender* in the Euro Area. The proposal is focused on two elements: Acceptance and Access to euro banknotes and coins. EPIF members are very **supportive of this double-objective** that will allow to maintain the role of cash in the Euro Area.

As noted by the European Commission, cash continues to be the preferred mean of payments for citizens across the Eurozone. Despite the rise of alternative payment methods, the demand for cash is also not expected to reduce in Europe, whether as a medium of exchange, store of value or a hedge against financial uncertainty. Moreover, EPIF strongly believes that the freedom of consumers to choose their preferred means of payment must be upheld and therefore aligns with the European Commission that availability of cash must be preserved.

Importantly, our members see cash availability and acceptance as a crucial element for financial inclusion. Representing the non-bank payment sector, we also stress that our members frequently act as a bridge in the interaction between cash and digitalized payments, reaching the most vulnerable and financially excluded parts of the population. There are currently different means of payment carried out by users, with cash being one of the selections. Our members, whilst mostly active in electronic payments, also often provide cash-related services. Against this background, EPIF sees **cash and digitalized means of payment as complementary** to one another rather than mutually exclusive.

We would also like to highlight that access and acceptance of cash goes beyond this legislative proposal. Many of our members offer their services under the PSD2 recurring to the use of agents and distributors. These play a very important role, for example in the cash remittances businesses. Throughout the ongoing discussions on payment services legislation (PSD3/PSR) it is important to also recognize their importance and provide a clear framework for their services.

## Legal tender, mandatory acceptance and exemptions

The legislative proposal clarifies that the legal tender status of euro banknotes and coins entails a **mandatory acceptance**, at face value. Two **exemptions to mandatory acceptance** are envisaged in the Level 1 text: a “good faith” refusal based on legitimate and temporary grounds which are beyond the control of the payee and based on a prior agreement between the payee and payer.

As for the proposal establishing the digital euro, EPIF members consider that the exemptions leave scope for interpretation. Notably, what would constitute a prior agreement between the payee and the payer. We welcome that clarity is provided for what is to constitute a “good faith” refusal. However, we note that such clarification is not provided for the proposal establishing the digital euro. EPIF

members would therefore welcome additional clarity on the interplay between the exemptions of the two proposals.

Moreover, we also note that the European Commission is given delegated powers to identify further exemptions, in the name of public interest and proportionality. While we stress that **legal certainty** regarding the mandatory acceptance of cash must be protected, we welcome the possibility to reassess the impacts of mandatory acceptance. Specifically, EPIF members note that the cost of cash has been increasing and therefore its mandatory acceptance might be disproportionate in certain regions and/or for certain players.

### The role of Member States

EPIF members very much welcome that Member States will be responsible for the monitoring and enforcement of the mandatory acceptance and access to cash. We also welcome that the proposal envisages Member States to take “**remedial measures**” which are proportionate and based on country-specific contexts. However, it is not clear whether the remedial measures only account for additional measures to reinforce acceptance and access or can also be taken to extend the exemptions for mandatory acceptance. While believe that Member States should also have the power to adapt the exemptions to their national circumstances, for example on the basis of their national/regional demand for cash.

### Interaction with the digital euro

EPIF very much welcomes the provisions under Article 15 that reinforce the convertibility at par between the digital euro and euro banknotes and coins. Importantly, we also welcome that, where mandatory acceptance applies to both digital euro and cash, the payer has the **ultimate right of choice** for its preferred means of payment.

We note however that for certain payment service providers and merchants, imposing a mandatory acceptance of both cash and the digital euro might be **disproportionate**. We therefore urge the European Parliament and the Council to further consider the exemptions allowed to mandatory acceptance. These should be discussed in parallel and the costs considered together.