

Single Currency Package

Policy Brief

July 2023

Summary: The European Commission has proposed two measures to ensure access to and acceptance of euro banknotes and coins, as well as to establish a legal framework for a potential digital euro. The proposals aim to provide people and businesses with payment options, including cash and digital, reflecting the increasing preference for digital payments given the impact of the COVID-19 pandemic. The legislative proposals would safeguard the role of cash, enhance its acceptance, and maintain accessibility, while also paving the way for a secure and widely accepted digital form of the euro, complementing existing private payment solutions. The digital euro would offer consumers more choice and privacy, be available for both online and offline transactions, and contribute to the EU's monetary sovereignty. The European Central Bank would decide on the issuance of the digital euro, following further technical work.

Key Words: Digital Euro, Cash, Payment Options, European Central Bank

Introduction

The European Commission is taking action to protect the legal tender status of cash, specifically euro banknotes and coins, in the euro area. In light of the potential introduction of a digital euro, the Commission aims to ensure consistency and clarity regarding the principles of legal tender for both physical and digital forms of the currency. This proposal also addresses emerging issues related to the acceptance and accessibility of cash, with the objective of safeguarding its use as a payment option for those who prefer it.

The proposal clarifies the concept of legal tender, based on a judgment by the European Court of Justice, which emphasizes the mandatory acceptance of cash at its full face value, unless alternative means of payment are agreed upon. Exceptions to this principle may arise in cases where parties mutually decide on different payment methods or when cash refusal is made in good faith. Furthermore, the proposal outlines measures to combat tax fraud and evasion by imposing limits on cash payments. By defining the legal tender status for both physical and digital euros, the Commission aims to establish a consistent framework and ensure that individuals and businesses have access to and confidence in the use of cash as a widely accepted payment method throughout the euro area.



Proposal for a regulation of the European Parliament and of the Council on the establishment of the digital euro – A Summary

- ✓ The proposal aims to establish the digital euro as a single currency across the euro area, with the European Central Bank having the authority to authorize its issuance for retail payments.
- ✓ The proposal clarifies that existing EU directives and regulations on payment services, cross-border payments, anti-money laundering, and fund transfers apply to the digital euro, ensuring consistency in applicable laws and competent authorities.
- ✓ The proposal outlines the legal tender status of the digital euro, including its mandatory acceptance by payees, with certain exceptions provided. Convertibility between digital euro and physical cash is required, and payers have the right to choose between digital euro and cash payment options in situations where both are mandated.
- ✓ Payment service providers authorized in the EU can distribute digital euro payment services without requiring additional authorization. Specific tasks and obligations are outlined, including enabling funding and defunding functionalities, accommodating payment transactions exceeding digital euro holdings, and ensuring accessibility and inclusion for individuals with disabilities or limited digital skills.
- ✓ The proposal allows for the European Central Bank to implement instruments to limit the use of the digital euro as a store of value, including holding limits, to safeguard financial stability. Additionally, regulations are established to control fees on digital euro payment services, ensuring they remain reasonable and proportionate.



Links to more information: https://finance.ec.europa.eu/publications/digital-euro-package_en

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