



EUROPEAN CENTRAL BANK
EUROSYSTEM

ECB-PUBLIC
COURTESY TRANSLATION

Christine LAGARDE
President

Ms Francesca Donato
Mr Marco Zanni
Mr Valentino Grant
Mr Antonio Maria Rinaldi
Members of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 23 July 2021

L/CL/21/172

Re: Your letter (QZ-033)

Honourable Members of the European Parliament, dear Ms Donato, Mr Zanni, Mr Grant and Mr Rinaldi,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 3 June 2021.

Euro banknotes and coins are legal tender in the euro area¹ and it is essential that everyone has good access to cash according to their needs. Cash continues to play a crucial role in the euro area and has unique features as a means of payment and store of value which underpin its demand. Importantly, cash acts as a guarantee for financial inclusion, as it allows users to make payments at no cost and serves those who do not have access to banking services. As outlined in our Cash 2030 strategy adopted by the Governing Council in December 2020², the Eurosystem has a fundamental responsibility, together with the banking sector, to ensure the smooth supply of cash and to facilitate the use of cash in payments by people and businesses.

To fulfil this responsibility, the national central banks offer free-of-charge cash services to banks throughout their countries, and the Eurosystem has also implemented a regulatory framework to ensure efficient and secure banknote recirculation by banks. Moreover, the Eurosystem is in close dialogue with the banking sector

¹ The legal tender status of euro banknotes is laid down in Article 128(1) of the Treaty on the Functioning of the European Union. Article 11 of Council Regulation (EC) No 974/98 of 3 May 1998 enshrines the status of legal tender for euro coins.

² For more information, see https://www.ecb.europa.eu/euro/cash_strategy/html/index.en.html.

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal address

European Central Bank
60640 Frankfurt am Main
Germany

Tel. +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu

to ensure that banks will continue to provide adequate cash services to customers, including cash withdrawals.³ Ensuring an efficient and robust supply of cash will remain essential, even if banks strive to adapt their business models and reduce the number of physical establishments. The Eurosystem is therefore currently analysing the geographical access to cash in the euro area.

The Eurosystem is also cooperating with a range of stakeholders to ensure adequate access and acceptance of cash, including within the Euro Retail Payments Board, which is chaired by Mr Fabio Panetta, member of the Executive Board of the ECB.⁴ This strategic body brings together the supply side, including banks and payment institutions, and the demand side, including consumers and retailers. Last year it set up a dedicated working group to analyse access and acceptance of cash.⁵ Moreover, as part of the Euro Legal Tender Expert Group, the ECB is supporting the European Commission in its work to explore the need for potential regulatory action to ensure adequate cash services across the euro area.⁶

Regarding your second question, let me point out that the ECB is responsible for the issuance of euro banknotes, the oversight of payment systems and banking supervision. The issue of consumer protection, however, falls outside of its remit. In its role as banking supervisor and overseer of payment systems, the ECB takes a technology-neutral approach. It therefore aims to ensure the safety and soundness of the banking sector, maintaining a high standard of prudential supervision and oversight of payment systems, schemes and instruments, irrespective of the particular business model or technological solution applied.

Turning to the specific issue of bank profitability that you raise, first let me stress that banks have several levers at their disposal to increase their profitability which do not interfere with the areas of financial access and adequate customer services. That being said, the current macroeconomic environment, together with competitive pressures, has left its mark on banks' interest margins. More recently, this has led some banks to shift their income mix slightly towards more non-interest income, including charging customers for financial services that were previously free of charge. Competition among banks, and between banks and non-bank financial intermediaries, as well as the enforcement of effective consumer protection, are likely to safeguard against excessive fees for consumer services. It is therefore essential that competition supervisors ensure that competitive forces are working effectively, and that consumer protection authorities ensure that banks do not

³ In its Opinion of 26 November 2019 on a Swedish law on the provision of cash services by credit institutions, the ECB underlined that it was important that all EU Member States, including those not in the euro area, take appropriate measures to ensure that credit institutions and their branches provide adequate access to cash services. For more information, see <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019AB0041>. In this respect, as I stated in my reply to your honourable colleague, MEP Georgiou, on 23 January 2020, the ECB also considers it important that citizens can make a reasonable number of cash withdrawals with no charge, in any case when using their bank's own ATM network. For more information, see https://www.ecb.europa.eu/pub/pdf/other/ecb_mepletter200124_Georgiou_2~6cdcdca7d4.en.pdf.

⁴ For more information, see <https://www.ecb.europa.eu/paym/groups/erpb/html/index.en.html>.

⁵ For more information, see "Mandate of the ERPB working group on access and acceptance of cash", available at: https://www.ecb.europa.eu/paym/groups/erpb/shared/pdf/Mandate_of_the_working_group_on_access_to_cash.pdf.

⁶ For more information, see <https://ec.europa.eu/transparency/expert-groups-register/screen/expert-groups/consult?lang=en&groupId=3754&fromMembers=true&memberType=4&memberId=93719>.

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal Address

European Central Bank
60640 Frankfurt am Main
Germany

Tel. +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu

charge hidden or excessive fees. Finally, progress on completing the banking union could spur more integration of banking activities in Europe, including in the payments space, and thereby help the banking sector to transform itself and become more cost-efficient. In turn, this could contribute to both improved bank profitability and better customer services.

To close, let me reiterate that the Eurosystem remains committed to continue providing a public, safe and trusted means of payment, also in the digital era. This includes ensuring that cash remains widely available and accepted as both a means of payment and a store of value. Alongside this, the Eurosystem also recently announced the start of the investigation phase to explore the design and distribution of a digital euro that could complement cash in the future.⁷

Yours sincerely,

[signed]

Christine Lagarde

⁷ For more information, see ECB Press Release “Eurosystem launches digital euro project”, 14 July 2021, available at: <https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210714~d99198ea23.en.html>.

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal Address

European Central Bank
60640 Frankfurt am Main
Germany

Tel. +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu