



**OPINION OF THE EUROPEAN CENTRAL BANK**  
**of 4 August 2008**  
**at the request of the Danish Ministry of Economics and Business Affairs**  
**on a draft executive order on withdrawal of the 25 øre coin as legal tender**  
**(CON/2008/35)**

**Introduction and legal basis**

On 10 July 2008 the European Central Bank (ECB) received a request from the Danish Ministry of Economics and Business Affairs for an opinion on a draft executive order on withdrawal of the 25-øre coin as legal tender (hereinafter the 'draft executive order').

The ECB's competence to deliver an opinion is based on Article 105(4) of the Treaty establishing the European Community and the second indent of Article 2(1) of Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions<sup>1</sup>, as the draft executive order relates to means of payment. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

**1. Purpose of the draft executive order**

- 1.1 Under Section 3 of the Law on coins<sup>2</sup>, the Minister for Economic and Business Affairs, following negotiations with Danmarks Nationalbank, may decide that coins will cease to be legal tender. According to the draft executive order, referring to negotiations with Danmarks Nationalbank, the 25 øre coin will cease to be legal tender from 1 October 2008. Danmarks Nationalbank has argued that as a result of inflation and pay increases the purchasing power of the 25 øre coin has become negligible so that it no longer functions as a useful means of payment. In addition, the costs of minting the coin exceeds its value, and as it is costly for banks and retailers to handle, as pointed out by their representative organisations, there are good reasons to make the 50-øre coin the smallest Danish coin denomination.
- 1.2 While the 25 øre coin will cease to be legal tender from 1 October 2008, the draft executive order provides that the coins may still be encashed at Danmarks Nationalbank for a period of three years after it has ceased to be legal tender.

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<sup>1</sup> OJ L 189, 3.7.1998, p. 42.

<sup>2</sup> Lov nr. 817 af 21. december 1988, Møntlov.

1.3 As a consequence of the 25 øre coin ceasing to be legal tender and pursuant to Section 5 of the Law on coins, the draft executive order amends the rounding rules from 1 October 2008, with the total amount of cash payments to be rounded up or down to the nearest 50 øre, unless otherwise agreed. As with the existing rounding rules, only the total amount is to be rounded, and not the price of each item, and for electronic payments the exact amount is payable without rounding.

## **2. General observations**

2.1 The ECB understands that the Ministry of Economic and Business Affairs issued a press release on 27 March 2008 announcing the decision to abolish the 25 øre coins from 1 October 2008, which also contained a reference to Danmarks Nationalbank's website with further details about the abolishment and explanation of the new rounding rules.

2.2 As stated on Danmarks Nationalbank's website, the number of coins is based on tradition, and is supported by surveys of the most suitable number of coins in a well-functioning series. The latest change to the series of Danish coins was made in 1989, when the five and 10 øre coins were withdrawn as legal tender, and amended rounding rules were introduced. According to Danmarks Nationalbank, previous experience from Denmark, Sweden and Norway has shown that taking out of circulation small coins which have ceased to have self-supporting purchasing power does not lead to higher prices.

2.3 The ECB notes that whereas the Law on coins requires a minimum period of notice of three months, the draft executive order sets a generous period of three years in which the old coins may be exchanged at Danmarks Nationalbank. The ECB also notes that the Danish Bankers Association has recommended that its members encash 25 øre coins after 1 October without charging a fee.

2.4 The ECB has no specific comments on the draft executive order.

This opinion will be published on the ECB's website.

Done at Frankfurt am Main, 4 August 2008.

[signed]

*The President of the ECB*

Jean-Claude TRICHET