



EUROPEAN CENTRAL BANK
EUROSYSTEM

OPINION OF THE EUROPEAN CENTRAL BANK
of 23 January 2014
concerning the rounding of payments denominated in euro
(CON/2014/6)

Introduction and legal basis

On 27 December 2013, the European Central Bank (ECB) received a request from the Nationale Bank van België/Banque Nationale de Belgique (NBB), acting on behalf of the Belgian Minister for Finance, for an opinion on a draft law concerning the rounding of payments denominated in euro (hereinafter the ‘draft law’). The ECB was requested to deliver an opinion within two weeks in order to enable the Belgian government to take the ECB opinion into consideration before the draft law is put before the Belgian Parliament.

The ECB’s competence to deliver an opinion is based on Article 127(4) and 282(5) of the Treaty on the Functioning of the European Union and the first and second indents 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 provisions¹, since the draft law relates to currency matters and 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 law

- 1.1 The draft law amends the Law of 6 April 2010 on market practices and consumer protection, and amends the rules on the rounding of prices in Belgium. It authorises retailers to round the total price to be paid by consumers to the nearest five euro cents, regardless of whether the relevant payment is made with banknotes, coins, electronic money or comparable means of payment such as, for example, meal vouchers. However, rounding should not take place if the amount to be paid for the purchase of an individual item is one, two, three or four euro cents. In accordance with Article 9a, rounding will only apply on total amounts due, not on each individual item. If retailers decide to engage in the rounding of amounts to be paid, they must do so in a consistent manner. They must also inform consumers about the rounding by openly and clearly displaying on their

¹ OJ L 189, 3.7.1998, p. 42.

premises a sign containing text stipulated in the draft law². Such text may not be changed by the retailers for any reason, e.g. in order to refuse one and two euro cent coins as a means of payment. Symmetrical rounding up or down of the amount payable to the nearest multiple of five cents must also be included in the invoice, receipt or any other proof of payment.

- 1.2 As explained during the preparatory work on the draft law, the draft law's aim is to limit the use of one and two euro cent coins in transactions between retailers and consumers due to the disproportionate costs involved in handling such coins for authorities, banks and retailers in minting, supplying and handling, respectively, one and two euro cent coins. These coins are often lost or not reintroduced into circulation by consumers, which creates an ongoing need to mint and replace them in large quantities. Furthermore, rounding total amounts to be paid, as proposed by the draft law, would not lead to an overall increase in prices since such rounding would, depending on the situation, apply downwards or upwards. Finally, the rounding of prices would also satisfy a large number of Belgian consumers, who consider the one and two euro cent coins, similarly to the former 25 and 50 cent Belgian coins, as coins of negligible value, which results in either the coins not being put back into circulation or undue delay in retail transactions.

2. General observations

- 2.1 In accordance with Article 128(2) of the Treaty, the competence to adopt measures to harmonise the denomination and technical specifications of all coins intended for circulation to the extent necessary to permit their smooth circulation within the Union is vested in the Council. The legal tender status of euro cent coins within the euro area is laid down in Article 11 of Council Regulation (EC) No 974/98³. In addition, Article 2 of Council Regulation (EC) No 974/98 provides that the euro, as the currency of the euro area, is divided into one hundred cent. The denomination structure of the euro coins (i.e. 1, 2, 5, 10, 50 cents, 1 euro and 2 euro coins) has remained unchanged since the introduction of the euro, the one and two euro cent coins allowing consumers to pay the exact amount payable to the last cent.
- 2.2 Rounding rules are in place in two Member States. In Finland, the Rounding Act No 890/2000 of 27 October 2000 was enacted by the Finnish Parliament prior to the introduction of the euro in order to ensure the continuation of a longstanding tradition of rounding small cash payments in Finnish markka to the nearest 10 penni. In the Netherlands, the Social Forum on the Payment System (a body established by the Ministry of Finance which brings together retail organisations, the consumers' association, commercial banks and the NCB) recommended the nationwide introduction of the rounding rule from 1 September 2004. Retailers applying the rounding rule

² See new Article 9*bis*, third paragraph, (2) to be introduced by the draft law in the law of 6 April 2010 on market practices and consumer protection: "The total amount to be paid may be symmetrically rounded to the nearest multiple of five cents, for all means of payment accepted by traders in accordance with the law".

³ Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro (OJ L 139, 11.5.1998, p. 1).

inform their customers by displaying a special sticker at the entrance of their shops. Nevertheless, it is still possible for customers to pay the exact amount payable, using one and two euro cent coins.

- 2.3 The competent authorities have, however, repeatedly expressed their concern as regards such rounding rules, which undermine the legal tender status of one and two euro cent coins. As stated in Opinion CON/2002/15, issued further to the proposed amendment of the Finnish Rounding Act, ‘the Rounding Act should in any case not prevent the one and two cent coins from being used as a means of payment as they are *de jure* legal tender in the entire euro area. Member States’ legislation should not lead to divergent treatment of the euro’. In its ‘Report on the definition, scope and effects of legal tender of euro banknotes and coins’, the Euro Legal Tender Expert Group (ELTEG) advised that ‘rounding rules seem to be contradictory to the notion of legal tender of coins [as] tendering the exact amount due does not extinguish the debt (except in the Netherlands), while the very notion of legal tender implies the possibility to settle the exact amount owed’. In its Recommendation of 22 March 2010 on the scope and effects of legal tender of euro banknotes and coins⁴, the Commission recommended that ‘Member States should [...] refrain from adopting new rounding rules since they affect negatively the power to discharge from a payment obligation by tendering the exact amount owed and since it may lead in some circumstances to a surcharge on cash payments’.
- 2.4 With a view to preserving the unity and integrity of the single monetary area, the ECB therefore recommends that any rounding rules are established in a harmonised manner at Union, rather than national, level.
- 2.5 The ECB, nevertheless, welcomes that, as emphasised in the preparatory work for the draft law⁵ and the consultation letter, the draft law does not alter the legal tender status of one and two euro cent coins in Belgium. It must therefore be ensured that these coins continue to be fully accepted in Belgium for: (a) all payments amounting to one, two, three or four euro cent and payments of individual items, which are not subject to the rounding rules⁶; (b) payments that retailers decide not to round; and (c) payments rounded up or down by retailers in accordance with the draft law when the customers want to pay the rounded up price with one and two euro cent coins.
- 2.6 In any event, the mere introduction in Belgium of a principle that allows rounding up or down, as appropriate, to the nearest five cents for total amounts payable in shops should not lead to the discontinuance of one and two euro cent coins by Belgian authorities, as appears to have been considered in a recent report⁷. On the contrary, Belgian authorities need to ensure that one and

⁴ OJ L 83, 30/3/2010, p. 70. See in particular the ninth recommendation.

⁵ See the preparatory work of the draft law, commentary of article 5: «It is important to note that the one and two euro cent coins remain legal means of payments and shall not be suppressed ».

⁶ See new article 9bis, (2), second indent, to be introduced by the draft law in the law of 6 April 2010 on market practices and consumer protection.

⁷ Conséquences de l’introduction en Belgique d’un principe d’arrondi symétrique à cents près pour les montants totaux payés en magasin », available on the NBB’s website at www.nbb.be.

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two euro cent coins are widely available in Belgium in accordance with market needs in order to safeguard retailers' freedom to choose whether or not to apply the rounding rules and to comply with the draft law, which expressly excludes rounding for total prices of one, two, three or four euro cents and implicitly excludes rounding for the purchase of individual items.

- 2.7 The ECB, nevertheless, understands that, should the practice of rounding up or down become widespread, it is expected that retailers will need fewer one and two euro cent coins as change. This, in turn, goes some way towards addressing the issue of the high cost of replacing one and two euro cent coins that are no longer in circulation due to loss and hoarding.

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

Done at Frankfurt am Main, 23 January 2014.

[signed]

The President of the ECB

Mario DRAGHI