



EUROPEAN CENTRAL BANK

EUROSYSTEM

*COURTESY TRANSLATION*

Mr Mario Borghezio  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt, 18 January 2012

L/MD/12/025

**Re.: Your letter**

Dear Mr Borghezio,

Thank you for your letter passed on to me by Sharon Bowles, Chair of the Economic and Monetary Affairs Committee, and accompanied by a cover letter dated 30 November 2011.

As regards your question about the use of the €500 banknote, let me recall that prior to the changeover to euro cash, six of the euro area countries – Austria, Belgium, Germany, Italy, Luxembourg, and the Netherlands – had national banknotes worth between 200 and 500 euro, and were using them increasingly.

High-denomination banknotes are used for transaction and hoarding purposes, both domestically and outside the euro area. Their availability in all euro area countries since 2002, coupled with the low level of interest rates and low and stable inflation expectations have probably contributed to an increase in the use of banknotes for store-of-value purposes.

A recent ECB survey<sup>1</sup> among households and companies in 2008 and 2009 estimates that only around one-third of the circulation is used for transaction purposes and that the remainder is used for hoarding purposes as store-of-value in the euro area or held abroad. This is also confirmed by the very low frequency with which the €500 banknotes return to the central bank.

In summary, the issuance of euro banknotes follows the demand of the economic agents, both in terms of denomination and quantity. Therefore, the ECB does not plan to change the denominational structure of the euro banknotes.

Yours sincerely,

[signed]

Mario Draghi

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<sup>1</sup> For a summary of the results, see ECB Monthly Bulletin April 2011 at <http://www.ecb.europa.eu/pub/pdf/mobu/mb201104en.pdf>