



EUROPEAN CENTRAL BANK

EUROSYSTEM

*COURTESY TRANSLATION*

Mr Nikolaos Salavrakos  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt, 28 February 2012

L/MD/12/150

**RE: Your letter**

Dear Mr Salavrakos,

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 31 January 2012.

As regards your question on the use of €200 and €500 banknotes, I should like to inform you that, in line with its mandate to ensure a smooth and efficient operation of payment systems, the ECB carries out studies on the use of euro banknotes in general including the high denominations. These studies, however, do not particularly monitor the use of banknotes in the shadow economy.

With regard to the need for high-denomination euro banknotes, before the changeover to euro cash in January 2002 six of the euro area countries – Austria, Belgium, Germany, Italy, Luxembourg, and the Netherlands – had national banknotes worth between €200 and €500. In December 2011 the share of €200 and €500 banknotes in the total circulation value was 38%, and their share in the total number in circulation was 5%. The share in total circulation value of the highest euro banknotes has been quite stable since 2009, and is not much different from the shares of some of the highest denominations of the countries mentioned above. At the end of 2000 the DEM 1,000 and DEM 500 banknotes (= EUR 511 and EUR 256) had a share of 44% in the circulation value, and the NLG 1,000 (= EUR 454) and ATS 5,000 (= EUR 363) had a share of 35% and 36%, respectively.

The availability of high-denomination banknotes in all euro area countries since 2002, together with the low level of interest rates and low and stable inflation expectations, have contributed to an increase in the use of banknotes for store-of-value purposes.

An analysis published in the ECB's Monthly Bulletin of April 2011<sup>1</sup> estimated that only around one-third of the circulation is used for transaction purposes and that the remainder is used as store-of-value in the euro area or held abroad. This is also confirmed by the very low frequency with which these banknotes return to the central bank.

In summary, high-denomination euro banknotes fulfil an important role as a store of value and are a last resort for storing assets both within the euro area and abroad. 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.

For your additional information, the ECB offers an overview on the quantitative development of euro banknotes in circulation on its website.<sup>2</sup>

With kind regards,

[signed]

Mario Draghi

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<sup>1</sup> <http://www.ecb.int/pub/pdf/mobu/mb201104en.pdf>, p.79

<sup>2</sup> <http://www.ecb.europa.eu/stats/euro/circulation/html/index.en.html>