Honourable Member of the European Parliament, dear Mr Fernández,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 13 September 2016.

The legal tender status of euro banknotes is laid down in Article 128(1) of the Treaty on the Functioning of the European Union. Furthermore, under Article 11 of Council Regulation (EC) No 974/98, euro coins are the only coins which have the status of legal tender in the participating Member States.

The European Commission, based on the conclusions of a report of the Euro Legal Tender Expert Group (ELTEG), issued a recommendation in 2010 defining the scope and effects of legal tender of euro banknotes and coins. According to this recommendation, the acceptance of euro banknotes and coins as a means of payment should be mandatory, unless the respective parties have agreed on another means of payment. As discussed in your letter, and following this recommendation, refusing to accept euro banknotes and coins in retail transactions should only be possible if grounded in reasons related to the “good faith” principle (e.g. if the retailer has no change available or the face value of the banknote tendered is disproportionate to the amount owed to the creditor of the payment).

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2 Report by the Euro Legal Tender Expert Group (ELTEG) on the definition, scope and effects of legal tender of euro banknotes and coins, http://ec.europa.eu/economy_finance/articles/euro/documents/elteg_en.pdf. ELTEG is a working group consisting of representatives from ministries of finance and national central banks of the euro area, as well as from the ECB.
The ELTEG report also suggests that there should be some scope for the refusal of high denominations, but only if it can be justified for certain reasons (e.g. security concerns) and if it is announced in advance by a clear and unambiguous sign on the shop/retailer’s premises.\footnote{ELTEG report, p. 10.}

It should be noted, however, that the recommendations of both the European Commission and the ELTEG report are neither legally binding for the national legislators of the euro area, nor directly applicable. As a consequence, Member States have very different national legislative provisions regarding the extent and use of legal tender. A few of them, including the Netherlands, informed the ECB and the European Commission that, in their respective national legislations, the legal tender provision cannot be interpreted as an obligation to conclude a contract allowing for cash payments only.\footnote{ELTEG report, pp. 2-4.}

Given the above, my conclusion is that, although not desirable from the ECB’s perspective, retailers may refuse cash payments by refusing upfront to become a party to a cash-based transaction. This is only possible where national legislation provides for other means to settle a monetary debt.

Yours sincerely,

[signed]

Mario Draghi