



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Christine LAGARDE

President

Mr Gunnar Beck  
Mr Nicolaus Fest  
Members of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 3 February 2023

L/CL/23/7

**Re: Your letter (QZ-034)**

Honourable Members of the European Parliament, dear Mr Beck, dear Mr Fest,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 29 November 2022.

The Governing Council of the European Central Bank (ECB) decided, in May 2016, to permanently stop producing the €500 banknote and to exclude it from the second series of euro banknotes. The decision took into account concerns that this denomination could facilitate illicit activities. As of April 2019, the Eurosystem's national central banks no longer issue €500 banknotes. To maintain trust in euro banknotes, the Governing Council also decided that the €500 banknote would remain legal tender and could continue to be used.

Although €500 banknotes can be used as a store of value inside and outside the euro area – both in normal times and in times of increased uncertainty and financial or political turmoil<sup>1</sup> – the ECB fully acknowledges the need to take measures to tackle financial crime, hence the decision.

While the ECB has not carried out a dedicated assessment of the impact of the decision on financial crime, the discontinuation of the issuance of the €500 banknote has led to a substantial and widespread reduction in its use, for all purposes. The Eurosystem is responsible for issuing euro banknotes and for ensuring

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supply is smooth and efficient.<sup>2</sup> This responsibility requires the ECB to closely monitor issuance data. Data on outstanding amounts (stocks) of euro banknotes and coins in circulation, as well as banknote transaction data (flows)<sup>3</sup>, are published monthly on the ECB's website.

Yours sincerely,

[signed]

Christine Lagarde

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<sup>1</sup> See "The paradox of banknotes: understanding the demand for cash beyond transactional use", *Economic Bulletin*, Issue 2, ECB, Frankfurt am Main, March 2021, available at: [https://www.ecb.europa.eu/pub/economic-bulletin/articles/2021/html/ecb.ebart202102\\_03~58cc4e1b97.en.html](https://www.ecb.europa.eu/pub/economic-bulletin/articles/2021/html/ecb.ebart202102_03~58cc4e1b97.en.html).

<sup>2</sup> See Article 128(1) of the Treaty on the Functioning of the European Union (former Article 106(1) TEC), available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A12016E128>.

<sup>3</sup> Data on banknotes issued into circulation, returned from circulation, sorted to check authenticity and fitness, and sorted to unfit are available on the ECB's website at: [https://www.ecb.europa.eu/stats/policy\\_and\\_exchange\\_rates/banknotes+coins/circulation/html/index.en.html](https://www.ecb.europa.eu/stats/policy_and_exchange_rates/banknotes+coins/circulation/html/index.en.html).

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