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to the

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

on the latest developments in relation to the euro coins

ANNEX

Part 1 Summary of stakeholder consultation on 1 and 2 euro cent coins, carried out in November/December 2017

A. Background

By email of 9 November 2017, the Commission informed EU euro coin stakeholders of an electronic survey, launched that day, on the costs and use of one- and two-cent coins. Stakeholders were asked to reply to the questionnaire. The survey questions were tailored to stakeholders' different roles in the one- and two-cent cash cycle.

The following stakeholders were asked to respond:

- euro area national authorities, as the legal issuer of euro coins
- non-euro area Member States (with a derogation or opt-out)
- the European Central Bank
- the national central banks in the euro area
- European mints producing euro coins
- all relevant European associations: three banking associations, one cash handling association, two retailer associations and two consumer associations.

The deadline for replies was extended once. In the end, stakeholders had until 31 December 2017 to provide input.

B. Response rate

Nearly all public stakeholders replied to the questionnaire. All private EU banking and euro cash associations replied.

There was no statement from European retailers or European consumer organisations. However, 12 national retailer organisations responded to the survey, probably because they received the information from their European association. The EU consumers association stated that it had no data or evidence on the facts to which the questions referred.

Not all public and private stakeholders answered all of the questions put.

C. Summary analysis of stakeholder group answers

1. Legal issuers

Two legal issuers reported that acquisition costs for one- and two-cent coins had fallen, while three legal issuers stated that costs had risen.

Three legal issuers commented that they could obtain one-cent coins below face value. Procurement seems to make obtaining one-cent coins expensive in most cases. Overall, the cost of obtaining one-cent coins for all legal issuers varies between 0.9 and 2.0 euro cents.

2. *Non-euro area Member States*

Four Member States not participating in the euro (yet) replied to the questionnaire. Two of them have national circulation coins with a face value below 1 euro cent. At euro changeover, two of the Member States would prefer the five-cent coin to be the lowest euro cent coin.

3. *ECB and national central banks (NCBs) from the euro area*

The ECB stated that the potential abolition of one- and two-cent coins and introduction of a system of rounding the final sum for purchases to the nearest 5 cents on cash payment was not expected to have any significant impact on price stability.

Thirteen NCBs replied to the survey. Overall, return of one- and two-cent coins to the NCBs is low because of poor circulation — for reasons to do with transport costs, geography and in some cases their policies on depositing coins, though fees for this do not differ by denomination.

4. *European mints*

Seven mints producing euro coins replied to the questionnaire. Four stated that they could not produce one-cent coins below face value, and for some of them this also holds true for the two-cent coin. Some mints stated that production below face value had never been possible, even when production and metal costs were lower. A few mints hope to lower the cost of one- and two-cent coins by means of the agreed cost saving features as of 2018.

In most cases, abolishing one- and two-cent coins would have little or no impact on staffing at the mint. Staff numbers for those coins are generally very low except in one Member State, where jobs in blank production, packaging, storing and recycling are factored in.

One mint hints at one- and two-cent coins being critical from an environmental perspective, in any case.

One mint reported that joint procurement of blanks by a number of mints had failed.

5. *Cash handlers*

It appears that professional cash handlers (coin handling companies/cash-in transit companies) are divided on the benefits and future of 1 and 2 euro cent coins. The return of one- and two-cent coins to cash handling companies seems to have slowed over time in some cases. No indication of trends in the price of handling of 1 and 2 euro cent coins was provided.

6. *Commercial banks*

Four national commercial banks, including two from the same country, replied directly.

There appeared to be no difference in conditions and fees for depositing according to denomination.

Banks in one euro area Member State seem to have high stocks of one- and two-cent coins. One bank saw increasing demand for these coins, but few deposits. Another reported that withdrawals and deposits of one- and two-cent coins were slowing.

Three banks believe that circulation of one- and two-cent coins has not fallen, relative to the circulation of other denominations.

Banks reported that the customer profile for one- and two-cent coins has not changed.

There were mixed views on cash service pricing trends in banks.

7. *Retailers*

Twelve national retailer organisations replied to the survey (via their European association). Views on price changes and the custom of rounding the final sum vary greatly: some retailers said that customers did not agree with rounding at all and that some customers would pay more and some would pay less (but it equalled out over time); one said that retailers *always* rounded down the final sum.

Two retailer organisations would not rule out raising individual item prices if rounding were introduced. Seven retailers stated clearly they would not introduce a one-off price rise on the introduction of rounding.

One retailer organisation fears that if rounding were limited to cash payment, customers would decide on the means of payment depending on whether the rounded sum (cash payment) or the exact sum (electronic payment) is lower. This would delay payment at tills..

Some retailer organisations pointed out that one- and two-cent coins would still be important for food prices.

Two retailers openly called for one- and two-cent coins to be abolished.

8. *Consumers*

The European Consumer Association pointed out that not enough evidence had been collected on the matter and that, as a general principle, consumers should have payment choices that reflected their individual preferences.

Part 2 Discussions held in expert groups (2013 – autumn 2017)

Following the Commission's first communication on euro coins (2013) and the introduction of rounding rules in three more participating Member States, several Commission expert groups dealing with euro cash have (occasionally) discussed the future of one- and two-cent coins. The groups most involved were those that meet regularly¹ such as:

- the Euro Cash User Group, which looks at the use of euro cash (both coins and banknotes) from a citizens' and retailers' perspective;
- the Euro Coin Sub-Committee, which considers the efficiency and policy aspects of euro coins;
- the Mint Directors Working Group, which has a technical view of euro coins;
- and the Committee on cross-border transportation of euro cash by road, which considers how to maintain a level playing field for professional cash handling across the euro area.

The topic was also discussed with experts at ad hoc meetings, such as that on the scope and effects of euro cash as legal tender (2014).

Depending on their preferred policy focus and role in the cash cycle, some expert groups are naturally less concerned with one- and two-cent coins than others. Overall, opinions were mixed (even in the same group), with two main viewpoints emerging: one focuses more on the 'cost of the cash cycle' and fiscal aspects of issuing one- and two-cent coins, whereas the other looks more at how customers would react to their withdrawal and how retailers would adjust to it.

While the first approach is more inclined towards immediate discontinuation of one- and two-cent coins, the second comes to a more cautious conclusion. Whatever the context, taking into account both of the main viewpoints, the following conclusions could be drawn.

1. There is a common understanding in the groups that continuing to issue the one- and two-cent coins is problematic because the production costs are high and these small denominations do not efficiently recirculate.
2. Any policy action to be taken on one- and two-cent coins (to stop or to continue issuing the coins) should be based on a comprehensive assessment of the situation, taking into account all relevant aspects and efficiently informing the public.

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¹ Expert groups meet from every 4 months to every 2 years, depending on the group.