



EUROPEAN CENTRAL BANK

Dr. W. F. DUISENBERG
President

4 February 1999

Mr. Rudolf Edlinger
Bundesminister für Finanzen
Himmelpfortgasse 4-8
A – 1015 Wien

Dear Mr. Edlinger,

I refer to your letter of 11 January 1999 requesting a discussion of the denominations of the euro banknotes, in particular the possibility of introducing a €2 banknote, at the Euro-11 Council on 18 January 1999. The opportunity to discuss this matter did not arise at the Euro-11 Council meeting, so I still owe you an answer.

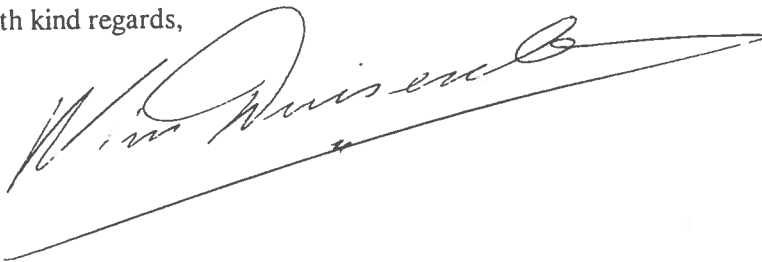
The EMI Council decided on the note/coin boundary in its 15 November 1994 meeting and this was confirmed by the Governing Council of the ECB in its decision of 7 July 1998. I would like to stress that I do not consider the possibility of introducing a €2 banknote as useful or feasible for a number of reasons:

- (a) In your letter you did not specify whether you thought €2 banknotes should be issued instead of or in addition to the €2 coins; however, circulation of banknotes and coins of the same value would not be useful, but would only increase production and handling costs.
- (b) I would like to emphasise that the decision on the euro note/coin boundary was thoroughly considered and the final decision to have 7 banknotes and 8 coins, according to a 1:2:5 sequence, broadly corresponded with the note/coin boundaries of all of the Member States.
- (c) Since the series of euro banknotes was designed on the basis of 7 denominations, it would be virtually impossible to add a further denomination while maintaining the specifications of the other banknotes in the series. For example, a €2 banknote would need to be smaller than the €5 banknote and would thus be too small to be processed on the NCB's sorting machines. Furthermore, revising the whole series with a view to properly integrating a €2 banknote, would be so time-consuming that the timely production of the required number of banknotes would be endangered.

- (d) Admittedly, €2 banknotes could be produced at a lower cost than the €2 coin. However, taking into account the differences in durability (a €2 banknote may have a durability of less than 6 months), the overall cost of the coins will be much lower.
- (e) The use of coins in vending machines is also a significant consideration. Coins are the preferred means of payment for vending machines providing low-cost goods (e.g. cigarettes or tickets) since the respective mechanisms for coins are far cheaper and robust than those for banknotes. You may recall that there was even a request from the vending industry for a €5 coin.

I trust I have your understanding that the above-mentioned elements indicate no scope for the introduction of a €2 banknote. I will copy this letter to Mr. Lafontaine, your successor as EU Council President.

With kind regards,

A handwritten signature in black ink, appearing to read 'Wim Duisend', followed by a long, sweeping horizontal line that extends across the width of the signature.

c.c. Mr. O. Lafontaine