



European Federation of Jewellery

Position paper on the EU initiative on restrictions on payments in cash

The EFJ demands a harmonisation at the EU level of the maximum threshold for cash payments in business-to-consumer transactions to prevent market distortion and unfair competition between operators in different Member States.





Key points:

- ❖ **Different maximum thresholds** for cash payments in business-to-consumer transactions create market distortion and unfair competition between operators in different Member States.
- ❖ **Cash restriction limits** often differ also within the Member States creating unjustified discriminations between residents and non-residents.
- ❖ **Cash remains the preferred form of payments** in the Euro area: on top of ensuring the protection of personal data, it is universally accepted, costless, flexible and allows the immediate closure of payments while being required to use bank payment methods beyond a sum of money makes trading more fragile and subject to external constraints.
- ❖ **Due to its market structure**, the jewellery sector is particularly exposed to the current lack of harmonisation in the cash limit rules within the EU.
- ❖ **The EFJ urges the European Commission** to put forward an EU initiative aimed at harmonising the limits for cash payments by proposing a proportionate threshold which takes into consideration the different necessities and sensibilities of EU citizens.

*The European Federation of Jewellery (EFJ) was founded in 2013 to represent the jewellery sector at the European level. Being a sector characterized by high values, the EFJ has closely followed **the EU initiative on restrictions on payments in cash** launched by the European Commission in January 2017 with the release of an “Inception Impact Assessment”¹. This initiative is part of the Commission’s Action Plan to further step up the fight against the financing of terrorism².*

The EFJ has participated to the public consultation³ and has reached out to the European Commission on several occasions **to point out the market distortions provoked by the lack of harmonisation regarding limits in cash payments in the EU** at retail level, and solely in a business to consumer (B2C) trade relationship⁴. In parallel with the public consultation, the European Commission has also carried an impact assessment aimed at analysing whether and to what extent establishing a maximum threshold for cash payments at the EU level would have an impact on the fight against terrorism, against money laundry and on the internal market.

¹ Inception Impact Assessment - Proposal for an EU initiative on restrictions on payments in cash:
http://ec.europa.eu/smart-regulation/roadmaps/docs/plan_2016_028_cash_restrictions_en.pdf

² European Commission Action Plan to strengthen the fight against terrorist financing:
<http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1455113825366&uri=CELEX:52016DC0050>

³ https://ec.europa.eu/info/consultations/eu-initiative-restrictions-payments-cash_en

⁴ The wholesale diamond trade in Belgium operates in a B2B environment where limits to cash payments can support the fight against money laundering, terrorism and organised crime. Moreover, due to the Belgian anti-money laundry legislation diamond, wholesalers are obliged to exclusively use bank payments to execute diamond transactions.



According to the information the EFJ has, the results of the impact assessment would have found that **the lack of an EU threshold to cash payments creates serious distortions to the internal market**⁵. This is in line with the position of the European jewellery sector.

In fact, the EFJ would like to point out several issues related to the lack of harmonisation of cash payments limits at EU level.

Only some EU Member States have, up to now, decided to establish restrictions to payments in cash. Moreover, these limits **differ among EU Member States**. For example, in **France the limit is 1.000 euro** but only for residents while the limit for non-residents is 15.000 euro; in **Belgium it is 3.000 euro and Italy recently raised it to 3.000 euro**. On the opposite side of the spectrum, countries such as the **Netherlands, Germany, Luxemburg and Finland have no restriction at all**. **These differences create a lack of equal level playing field and generate unfair competition between EU Member States, which goes against the EU Internal Market principles.**

As an example, **the different limits in cash payments have a serious negative impact on the Belgian retail jewellery business**. Indeed, Belgian consumers as well as non-residents and tourists often chose to buy jewels and watches in neighbouring countries such as the Netherlands or Germany, where none or higher limits exist. Ars Nobilis, the Belgian Jewellery Federation, has estimated that Belgian businesses lose around 20-25% of revenues due to these disparities. This figure can go up to 30% in the areas close to the national borders and the ones which are located in touristic areas such as Brussels, Bruges, and Antwerp.

The fact that **cash restriction limits are not the same in all EU Member States**, and often are even subdivided into different categories within the same country according to residency, **creates a situation of uncertainty** for consumers. This is the case in France⁶, where the limit for residents is set at 1.000 euro while non-residents can pay up to 15.000 euro in cash per transaction. It is hardly understandable why stricter rules should be applicable to country's residents, reducing their personal freedom. In this respect, it would be beneficial that the EU harmonise the cash limit for B2C transactions within the Member States taking into account the need to accept a level of cash payments that is reasonable and competitive towards third countries.

Furthermore, the EFJ believes that **consumers should be able to use the methods of payment they prefer** and strict cash restrictions rule out cash, which remains the most used consumer payment instrument in the euro area⁷, from their range of choice. Being required to use electronic or card payment methods beyond a sum of money **make transactions more fragile and subject to external constraints**. Cash on the other hand is universally accepted, costless, flexible, and is the only mean of payment that is final, while electronic transactions might be subject to fraud, hacking, cancellation, software issues, commission charges and more. Among the most acknowledged advantages of cash,

⁵ The results of the impact assessment, which will be presented by the Commission in June, would also show that establishing an EU threshold to cash payments would not have any substantial impact in fighting against terrorism while it could have a positive impact in fighting against money laundry.

⁶ <https://www.service-public.fr/particuliers/vosdroits/F10999>

⁷ "The use of cash by households in the euro area" Occasional Paper Series, European Central Bank, November 2017

<https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op201.en.pdf>



lie the fact that it allows the **immediate closure of a payment** and does not require any **other intermediate, service provider or technical infrastructure**.

In addition, it must be considered that cash may be the preferred way of performing a payment because it guarantees **privacy and the protection of personal data** as enshrined in the European Union's Charter of Fundamental Rights as well as a degree of empowerment and protection to its users, as these transactions are untraceable and remain anonymous. Indeed, anonymity is one of the reasons why many consumers prefer to pay by cash, making sure that their personal data are not collected, stored and used by third parties. Individual personal data are more and more important in today's world and they are being collected and stored by an increasing number of public and private actors (states, public administrations, multinationals, etc.). As a consequence, many consumers are now more reluctant to disclose their card number or their IBAN and would rather choose a payment method that guarantees an immediate one-to-one transaction where it is money that changes hand, not data.

Summing up, **restricting cash usage has economic implications** as it disrupts and constrains consumption: the lack of choice impedes the free flow of payment throughout the economic fabric. The overreliance on electronic transactions, where payments are reversible and exposed to fraud, is inefficient and can hinder economic dynamism.

Another issue to be taken into account is the fact that the European **jewellery market is structured around 'archetypal purchases'** driven by important life occasions such as diplomas, engagements, weddings, births, anniversaries, etc.⁸ These events are the **source of high value purchases**, which represent an **important percentage of the turnover** of an average jewellery retailer. On the other side, the average client would carefully plan these purchases as they may represent several months of revenue. Being an occasional purchase, consumers are willing to travel to get the better conditions such as discounts, higher cash payments limit, no VAT, etc. For its specificities, the **jewellery sector is particularly exposed to the current lack of harmonisation** in the cash limit rules within the EU.

Appropriately, the Inception Impact Assessment prepared by the Commission mentions Article 114 of the TFEU⁹ as a possible legal basis for the European Institutions to act. The EFJ agrees on the fact that the **lack of harmonisation in this domain creates a lack of equal level playing field and generates distortions of competition in the internal market**, with business to consumer transactions moving across borders to avoid strict cash restrictions.

⁸ A research conducted by Federpreziosi - the Italian Jewellery, Silverware and Watch Retailers' Association in October 2017 by interviewing 700 consumers showed that 76% of the responded entered in jewellery shop in the last 18 months with the aim of celebrating such an occasion. In particular, 22.3% of the purchases were related to weddings, 9% to engagements and 37% for births (all high-ticket purchases).

⁹ Art 14 of the Treaty on the Functioning of the European Union *"the European Parliament and the Council shall, acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee, adopt the measures for the approximation of the provisions laid down by law, regulation or administrative action in Member States which have as their object the establishment and functioning of the internal market"*

<http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:12008E114>



Moreover, the EFJ would like to point out that Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing¹⁰, whilst recognising that large cash payments can be related to criminal activities, establishes that customer due diligence is applicable to cash payments from 10.000 euro.

To conclude, in the EFJ's opinion, the **current diverging national rules regarding the limits in cash payments at retail level in a B2C business environment constitute an obstacle to the internal market as they create unfair competition** between economic operators of different EU countries. Therefore, the EFJ urges the European Commission to propose **new legislation aimed at establishing a European harmonisation in this field**. As jewellery products are of great value, it appears logical that a proportional limit is desirable. Therefore, introducing low thresholds would not be in line with the product value and would be a barrier to trade. In this respect, the EFJ would support any legislation aimed at harmonising the limit in cash payments inspired by the rules established by Directive (EU) 2015/849.

EFJ members:

- ❖ **UFBJOP** - Union Française de la Bijouterie, Joaillerie, Orfèvrerie, des Pierres et des Perles (France)
- ❖ **ART NOBILIS** – Fédération Belge du Bijou et de la Montre (Belgium)
- ❖ **AORP** - Associação de Ourivesaria e Relojoaria de Portugal (Portugal)
- ❖ **FEDERORAFI** - Federazione Nazionale Orafi Argentieri Gioiellieri Fabbricanti (Italy)
- ❖ **AWDC** - Antwerp World Diamond Centre (Belgium)

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¹⁰ Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing:
<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32015L0849>