



BANK OF ENGLAND

News release

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Publication of the Code of Conduct for the Authentication of Machine-Dispensed Banknotes

Following a consultation which began in February, the Strategic Cash Group (SCG) today published the final version of the *Code of Conduct for the Authentication of Machine-Dispensed Banknotes* ('the Code'). It also published its formal response to the consultation, the results of which are reflected in the Code.

The Code sets out banknote authentication standards for those businesses that self-fill their ATMs or self-service check-outs using banknotes tended by members of the public (a process known as 'local recycling'). These are comparable to the high standards already required of the wholesale cash industry (which continues to supply the vast majority of banknotes acquired by the public). Nearly thirty consultation responses were received from ATM deployment, retail, banking, cash-in-transit and other companies.

Commenting, Chris Salmon, Executive Director for Banking Services and Chief Cashier, said: "We are grateful to all of the organisations that have provided feedback to the consultation. By clearly setting out the responsibilities associated with local recycling, the Code will help organisations make well-informed choices about their cash management processes. And compliance with the Code means that banknotes recirculated into the economy can always be robustly authenticated: a key pillar in maintaining the public's confidence in the currency."

Adrian Kamellard, CEO of the Payments Council, which is overseeing the Code's implementation, commented: "The Payments Council's central position in the industry makes us well placed to further manage the Code and to ensure that it delivers real benefits without getting in the way of business operations, especially for small retailers. Ultimately it's all about working together to uphold the public's trust in cash and we're looking forward to working with all parties involved to put the Code into practice."

Future refinements to the Code will take place as cash technology develops over the coming years. Any significant changes to the Code would be subject to further public consultations.

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Notes to Editors

1. The Code and consultation response document can be found at:
http://www.paymentscouncil.org.uk/what_do_we_do/cash/cash_recycling_code/
2. The *Framework for the Testing of Automatic Banknote Handling Machines* is a voluntary arrangement operated by the Bank of England that tests machines with known counterfeit types on a regular basis. It is extensively referenced in the Code. The Framework is one pillar of the Bank's efforts to maintain a high level of confidence in Bank of England banknotes. A full set of FAQs can be found at: <http://www.bankofengland.co.uk/banknotes/Pages/retailers/framework.aspx>.
3. The Code covers Customer-Operated Cash Dispensers (COCDs), in particular ATMs and self-service checkouts. Transactions where banknotes are handed over by a person are not included. This is because members of the public receiving banknotes from another person, at a till or branch counter, have the opportunity to refuse the banknotes if they are not confident that they are genuine. This is not possible where the notes are machine dispensed. Moreover, it would be difficult for a member of the public to prove whether a given suspect banknote came from a particular machine, and it would be difficult for the machine operator to prove it had not. Code compliance helps to protect both parties.
4. Seven banks in Scotland and Northern Ireland are currently authorised to issue banknotes on a commercial basis. The banknotes issued by these banks are not covered by the current version of the Code but are expected to be included in a future version.
5. SCG is chaired by Chris Salmon, the Chief Cashier of the Bank of England. Secretariat support is provided by UK Payments Administration on behalf of the Payments Council. The members of the SCG are:
 - Bank of England
 - Barclays Bank plc
 - G4S Cash Solutions (UK) Ltd
 - HM Treasury
 - HSBC Bank plc
 - Lloyds Banking Group plc
 - National Australia Group
 - Nationwide Building Society
 - Payments Council
 - Post Office Ltd
 - The Royal Bank of Scotland plc
 - The Royal Mint Ltd
 - Santander Ltd
 - Vaultex UK Ltd
6. The aims of the SCG are:
 - Sustain reliable, available cash services, so that the public, retail and corporate customers are able to withdraw and deposit notes and coin in the manner to which they are accustomed, and in the manner which they might need;
 - To support issuers in maintaining the integrity of, and confidence in, their currency;
 - As far as possible, to ensure neutrality between surplus and deficit players.
7. The Code and consultation response documents have been drafted by a sub-group of the Strategic Cash Group (SCG), chaired by Victoria Cleland, the Bank of England's Head of Notes Division and with consultation with cash industry stakeholders. Based on the feedback from stakeholders, the sub-group decided against recommending, at this stage at least, a legislative approach such as that enforced for the euro. Further information on the ECB's requirements can be found at: <http://www.ecb.int/euro/cashhand/recycling/html/index.en.html>.
8. SCG will be supported on the Code's ongoing development and implementation by a Review Group, chaired by Victoria Cleland, the Bank of England's Head of Notes Division. Its members are the Bank of England, the British Retail Consortium, Cash Services Group, the LINK Executive and Payments Council. The Association of Commercial Banknote Issuers is an observer at this group.