



BANK OF ENGLAND

News release

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The notes in your wallet – speech by Chris Salmon

In a speech delivered to the Plymouth Chamber of Commerce, Chris Salmon, Executive Director for Banking Services and Chief Cashier, discusses the changing nature of banknotes. He focuses on the evolution of technology which has provided both opportunities and challenges for the Bank of England in managing the issuance of banknotes.

Chris Salmon begins by reiterating that the Bank's key objective in issuing banknotes is to maintain public confidence in the currency. As such, the Bank needs to ensure that the public are able to access our banknotes in the quantities and denominations they require; and that the public has confidence in the integrity of our banknotes. He comments that: "Technological change over the past four decades has profoundly impacted how we achieve both of these goals...[it] can and does raise new challenges for the Bank as it seeks to fulfil its note issuing responsibilities."

Chris Salmon notes that one major challenge for the Bank is to understand how innovation is affecting the way our banknotes circulate, so that the Bank can anticipate and offset any unintended adverse consequences. He gives two examples. The first centres on 'tatty fivers'. In this instance the Bank did not anticipate an adverse effect of the rapid growth of ATMs, but reacted quickly once it became aware of the impact this was having on the quality of £5 notes in circulation. The subsequent project initiated by the Bank resulted in nearly ten times as many £5 notes being dispensed from ATMs than before the summer of 2010.

The second example Chris Salmon gives centres on the impact of innovation in how our banknotes are checked. Increasingly, retailers and ATM operators are considering the merits of using a local recycling model where they refill their ATMs or self-checkout tills themselves. Chris Salmon notes the benefits of this model but also highlights the implication that each note will be authenticated by the wholesale cash industry less frequently – thus weakening one of the pillars which supports the safety of our cash. In this instance, Chris Salmon describes how the Bank is acting pre-emptively to address this risk. Work with the Payments Council and other key stakeholders in the cash industry over the past two years has led to a new Code of Conduct for local recycling, which will be introduced this summer. Chris Salmon says: "Our intention is to ensure that those businesses that self-fill their ATMs or self-service checkouts will authenticate their banknotes to the same high standards as those employed by the wholesale cash industry."

Chris Salmon briefly touches on the challenge the Bank faces in anticipating trends in the demand for cash in a period of rapid technological change.

Finally, Chris Salmon turns to the work undertaken to ensure our banknotes remain secure: “Since 1694 the Bank has faced the same basic challenge: how to design a banknote which can be manufactured in large scale at relatively low cost..., and is easy to authenticate but hard to counterfeit.” He notes that in recent years “Central banks have needed to employ increasingly innovative methods to protect their notes; often borrowing technologies from other industries...The trend to more sophisticated features is set to continue. Over the next few years we are likely to see more novel security features which will use state-of-the-art technology to deliver distinct image movement and novel colour changes...And we are likely to see greater diversity in the materials on which banknotes are produced...the Bank’s job is to make sure that it stays fully on top of all of the latest technological developments so that it can make the correct choices for our future banknotes.” To that end he comments that the Bank’s research team had “initiated a multi-year research programme to identify the technical design which will enable us to issue the most secure Churchill note possible.”

Concluding, he says that: “Despite technology increasing the tools available to counterfeiters, we continue to succeed in keeping counterfeit rates low. Last year, over 700,000 counterfeits were removed from circulation...that level represents a tiny fraction of one per cent of the three billion genuine Bank of England notes in circulation.”