



BANK OF ENGLAND

News release

Press Office

Threadneedle Street

London EC2R 8AH

T 020 7601 4411

F 020 7601 5460

press@bankofengland.co.uk

www.bankofengland.co.uk

2 September 2015

Working together to deliver banknotes for the modern economy – speech by Victoria Cleland

In a speech to the Follow the Cash Conference in Bristol, Victoria Cleland, the Bank of England's Chief Cashier discusses how cash usage has changed in recent years, why cash is still important and how the Bank of England is encouraging the cash industry to work together to ensure a successful launch of the new polymer £5. Victoria also announced that, like the next £5 and £10 notes, the next £20 note will be printed on polymer, a more secure, durable and cleaner material.

Victoria begins by explaining how technology has significantly changed the nature of payments in the UK, giving people far more choice about how they pay for goods and services but "cash remains a vital part of the mix". In 2014 "cash accounted for 52% on consumer payments at the point-of-sale and was comfortably the most frequently used payment method."

"But the resilience of cash use at the checkout does not tell the whole story. Aggregate demand for Bank of England notes has grown quickly, increasing by around three-quarters over the past decade, and has outpaced the growth in GDP since the 1990s. Today there are nearly three-and-a-half billion notes in circulation, totalling over £60bn." Some of this growth will have been driven by "the supply and distribution chain, with more cash held in a greater number of ATMs, as well as bank branches, and retail stores." And some will have been driven by an increase in the use of cash as a store of value: "with people increasingly hoarding cash, both domestically and overseas".

"At any one time during 2014, we estimate that around 20% to 30% of total UK cash was in, what we refer to as, the 'transactional cycle' - cash held by banks, consumers, and retailers for the purposes of facilitating everyday transactions. The remainder of UK cash is accounted for by hoarding and demand from overseas and the shadow economy."

Innovation has changed banknotes themselves. "Through a combination of research and investment, collaboration with law enforcement agencies, and our own education programme, we have been able to keep counterfeit levels low. In 2014, 430,000 counterfeits were removed from the cash cycle." A tiny fraction of the 3 billion notes in circulation. However, the Bank of England continues to work to stay ahead of the

counterfeiters. This is why the next £5, £10 and £20 notes will be printed on polymer. "Polymer - incorporating complex windows and sophisticated security features - delivers a leap forward in counterfeit resilience." Other central banks that have introduced polymer notes have seen a significant fall in counterfeiting. The notes are also cleaner and more durable "leading to better quality notes in circulation."

"When the Bank launches a new note, we need to be sure that we make a success of it and get it right." The Bank is working with relevant partners; "between now and launch, we will be seeking assurance that the cash industry will be ready in time."

Victoria concludes "cash is not ready for the retirement home, and certainly not the funeral home. And because there is a lot of life left in cash, we need to keep it healthy and fit for purpose."

ENDS