



BANK OF ENGLAND

Speech

Victoria Cleland's remarks at the opening of the Innovia Clarity C Film line

Speech given by

Victoria Cleland, Chief Cashier and Director of Notes, Bank of England

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It is a pleasure to be here in Wigton for the opening of Innovia's new Clarity C Line, more commonly referred to as the 'Bubble'. Central bankers are no strangers to bubbles (the words 'inflationary', 'property' and even 'South Sea' come to mind) but I'm pleased to say that this one is much more welcome. At five-storeys high, the scale of the high-security 'Bubble' is quite overwhelming and I am impressed at the innovative process that takes plastic pellets and - using heat, gravity, and air - produces a polymer film of uniform thickness, quality, and strength.

Next year, the Bank of England will launch a new £5 note featuring Sir Winston Churchill that will be printed on polymer film. In 2017, a £10 note will follow featuring Jane Austen. It is exciting today to visit the site which - over the next five years - will produce the polymer for nearly two billion banknotes and to learn about the positive impact this will have on the local economy.

But, given that many people have claimed cash is dying out, why is the Bank adopting this innovative technology for our banknotes? The answer starts with the Bank's Mission which is to promote the good of the people of the UK by maintaining monetary and financial stability. I translate this, in my role as Chief Cashier, to maintaining confidence in the physical currency through the provision of good quality and counterfeit resilient banknotes in the quantities and denominations demanded by the public. In achieving this, we need to continuously assess, and respond to, an ever-changing environment.

Rather than declining, banknote demand has continued to grow in recent years. Today, there are over £60bn worth of Bank of England notes in circulation - more than double the value fifteen years ago. Despite the availability of alternatives, cash remains the most commonly-used payment method at the point-of-sale and is likely to remain a key part of many people's lives in the years ahead.

Because cash has a future, the Bank needs to ensure that our banknotes remain fit for purpose. Key to this is providing strong counterfeit resilience - an objective we share with many other central banks. The challenge is not new. The first Bank of England note was issued shortly after we were founded in 1694 and the first counterfeit banknote is thought to have been passed within a matter of weeks. In the three centuries since then we have worked to stay ahead of the counterfeiting threat, and have periodically upgraded our banknotes to be ever more secure.

Our banknotes have seen a lot of changes since the late seventeenth century. They are no longer large, black and white, and - much to my relief - signed by hand. Banknotes have become smaller, and we have incorporated colours, characters, intricate designs, and numerous security features. Yet we always strive for improvement.

In 2013, we concluded that printing banknotes on polymer was the right choice to deliver a step change in counterfeit resilience. This decision wasn't taken lightly. It followed a three-year research programme which included extensive discussion with other central banks, and importantly with the cash industry. We also

undertook a consultation, visiting numerous regions across the UK to seek the views of the public. This included stands in shopping centres, meetings with local businesses, and independently-run focus groups. (Among my many trips, I attended an event with the Cumbria Chamber of Commerce just up the road in Carlisle.) The consultation demonstrated overwhelming public support for the change - 87% of respondents were in favour of polymer.

Although some people have described the move to polymer as 'revolutionary', I see it as 'evolutionary'. Our decision is not without precedent. Across the globe, 45 billion polymer banknotes have been produced and issued by a range of countries including Australia, Canada, Gambia, Fiji, and New Zealand. The vast majority of these are produced on Innovia's Guardian polymer, and more recently some on the De La Rue Safeguard polymer.

So why did we choose polymer for Bank of England notes?

First, the new polymer banknotes will incorporate complex windows and leading-edge security features which will deliver a step change in counterfeit resilience. This will make the counterfeiter's job harder, while enabling cash users to check genuine banknotes quickly and easily. Central banks that have already issued polymer have seen the benefits, reporting a notable reduction in counterfeit levels.

Second, polymer is more durable than cotton-paper, and more resistant to damage. This will be beneficial to note-accepting and dispensing machines, resulting in fewer machine jams and less downtime. Polymer banknotes should also last at least two-and-a-half times longer than their paper equivalents. With fewer banknotes needing to be printed over the long-run, this will deliver environmental benefits.

Third, polymer banknotes will be cleaner – something I know that the public will welcome. And since it is harder to check the security features on a soiled or damaged note, this will improve authentication.

After being printed at the Bank's facility in Essex by De La Rue, the successful launch of the new notes will then be reliant on their circulation through a large private-sector distribution chain. To support this, the Bank is working in partnership with stakeholders from across the cash industry. These include banknote equipment manufacturers, banks, ATM providers, retailers, and cash-in-transit firms. This industry collaboration began before we decided to move to polymer and will continue up to, and beyond, the launch of the new banknotes.

Communication and collaboration are paramount. The Bank is holding regular forums and supporting five industry-led working groups, representing different parts of the cash distribution chain. These groups are working together to deliver solutions that will ensure effective distribution and authentication once the new banknotes are in circulation. Feedback from industry participants indicates a high-level of confidence in how the programme is moving forward and we are grateful for their ongoing support. Next year, we look forward to launching a communications campaign that will reach the public and businesses, readying people - and hopefully building a little excitement - for the launch of the new state-of-the-art banknotes.

The opening of the new Bubble is a key milestone in delivering our first polymer £5 and £10 notes, and so an important step towards safeguarding confidence in the currency for the future.