

The framework on cash recycling of euro banknotes

Antti Heinonen

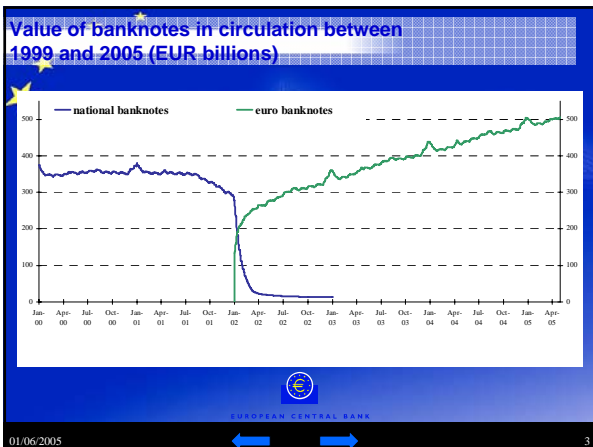
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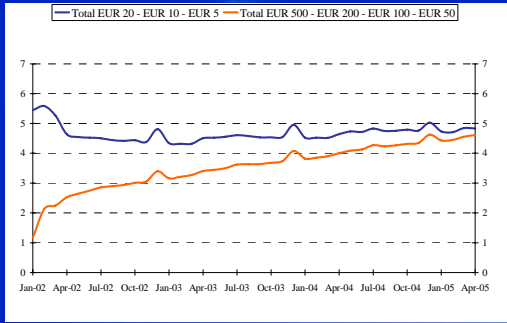
Agenda

- Development in the circulation of euro banknotes
- Eurosystem's role in the cash cycle
- Framework for recycling of euro banknotes
- Other future challenges of euro banknotes

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Euro banknotes in circulation between 2002 and 2005 (billions of pieces)



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Eurosystem's mission in the area of cash

- Ensuring a smooth and efficient supply of euro cash
- Maintaining the integrity of the euro
- In view of different national traditions, there is latitude in national implementation.

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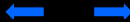
Different models for cash distribution and processing in the euro area

- Banks supply their customers with banknotes received from the NCB
- Banks supply their customers with banknotes received from the NCB or recycled banknotes checked with equipment tested by the Eurosystem
- No NCB regulations regarding banknote recycling



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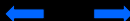
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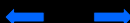
Objectives of the new framework for the recycling of euro banknotes

- To avoid competitive distortions by a common policy for the recycling of notes by banks and other professional cash handlers
- To reinforce the standards amongst the commercial sector to maintain the quality and authenticity of notes in circulation
- To provide assistance to professional cash handlers in meeting the legal requirements (Article 6 of EU Council Regulation)



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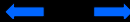
Key principles of the framework

- Common processing standards for euro notes to be recycled
- ATM notes to be machine-processed by NCB tested equipment, exception: remote bank branches with low level of cash operations
- Functional requirements for customer-operated and staff-operated machines
- Other organizations operating ATMs expected to apply same standards



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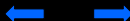
Detection of counterfeits

- Reliable authentication: 100% counterfeit detection
- Physical separation of suspect notes by machines
- Suspect notes to be handed over to authorities
- Information about account holders to be stored



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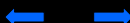
NCB tests of machinery

- Common NCB test procedures for machines
- Results to be published on Eurosystem websites
- Ex ante notification of deployment of machines
- Regular updates of machines by manufacturers/operators
- Eurosystem committed to provide test facilities and information on counterfeits



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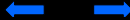
Implementation

- Details of reporting requirements will be established with commercial sector in first half of 2005
- NCBs will implement the framework in 2005/2006
- Transitional period of two years (expiring at the latest by end-2007) for adaptation of procedures and existing machines



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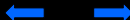
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- Other future challenges of euro banknotes



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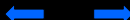
Other future challenges of euro banknotes

- Second series of euro banknotes (ES2)
 - Design will be based on the current artistic concept
 - The substrate will be reviewed
 - The processing and authentication standards will be reviewed
 - The transition will be gradual
 - Principles for dual circulation, legal tender status and redemption will be established
 - The launch will interlace with future accession to the euro area



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Conclusions

- No “ one size fits all“ model in cash distribution and processing in euro area
- New framework may have major impact on cash recycling in euro area
- ES2 and future accession to the euro area create interesting challenges



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