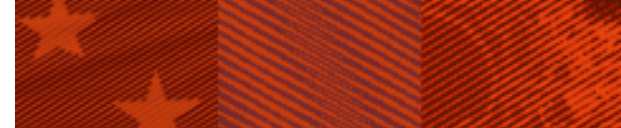


BANCO DE ESPAÑA AND CASH CYCLE: CHALLENGES FOR THE FUTURE

María Luisa Leyva

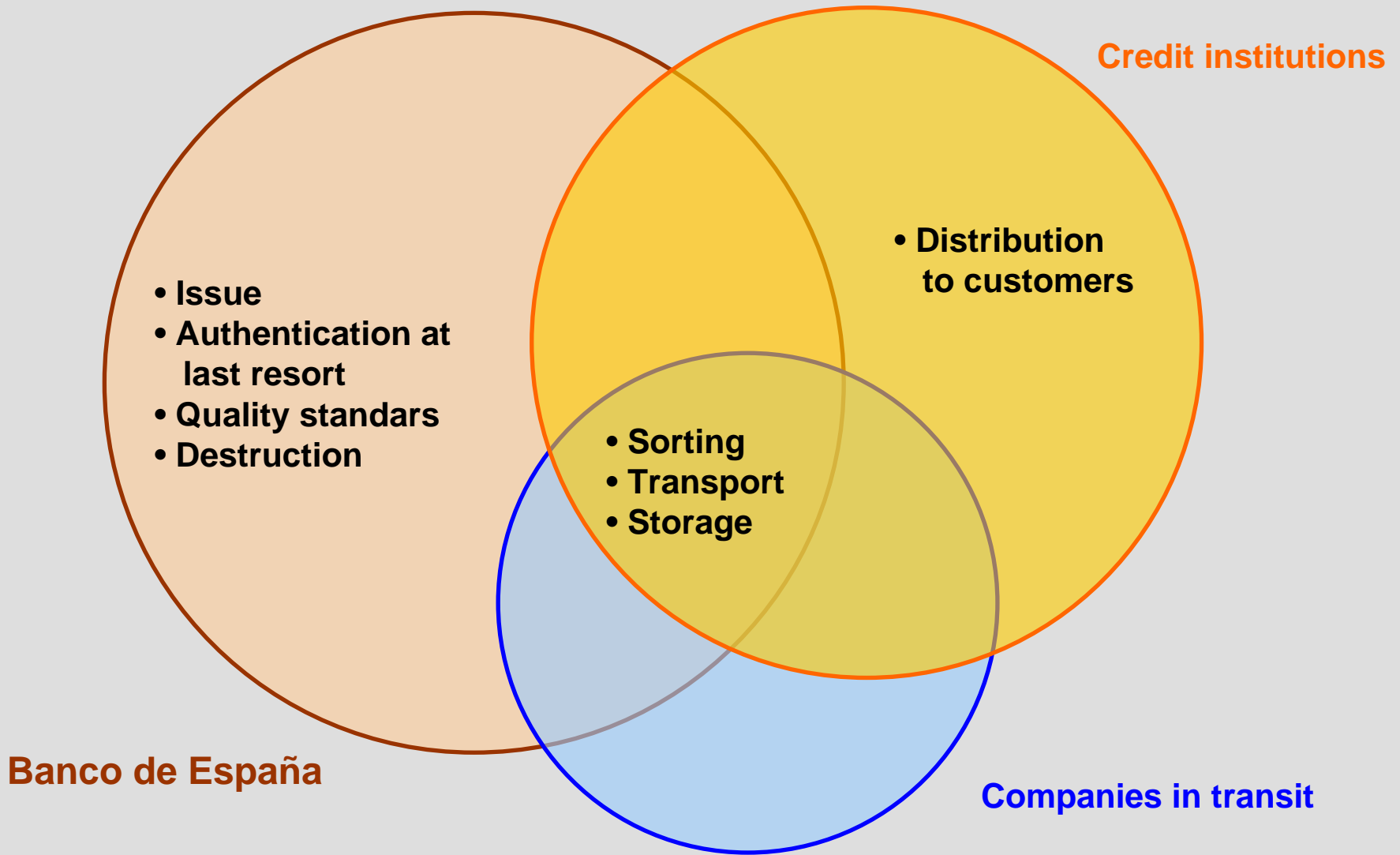
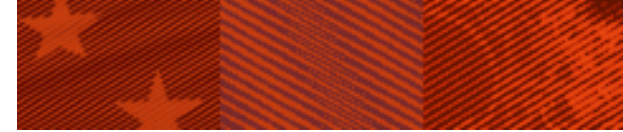
Head of the International Currency Division

E.S.T.A. BUSINESS CONFERENCE
Valencia. May 14-16, 2006



1. **Agents in the cash cycle**
2. **The Banco de España's objectives**
3. **The auxiliary depositories of the Banco de España**
4. **The Framework for recycling banknotes**
5. **Conclusions and Perspectives**

1. Agents in the cash cycle

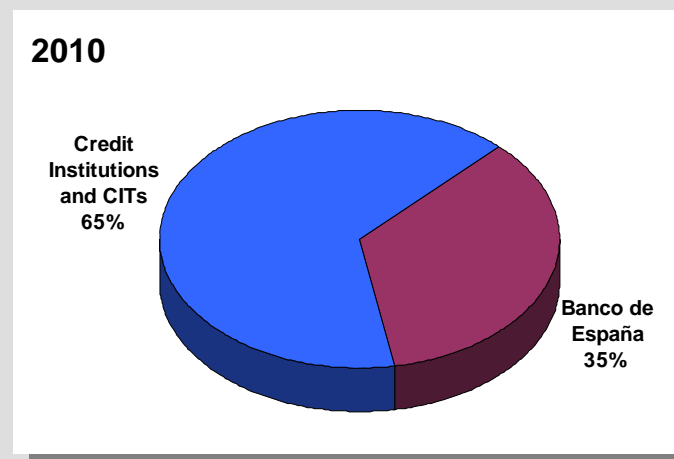
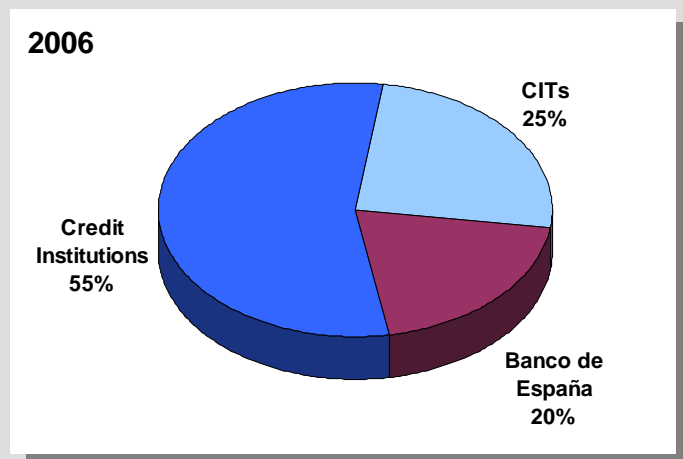


2. The Banco de España's objectives

2.1 Priorities

- High quality of the banknotes
- Increase the role of the Banco de España in the cash cycle
- Efficiency improvement

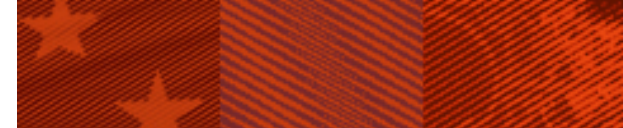
2.2 Sorting figures



2.3 Projects

- The auxiliary depositories
- The Framework for recycling banknotes

3. The auxiliary depositories of the Banco de España

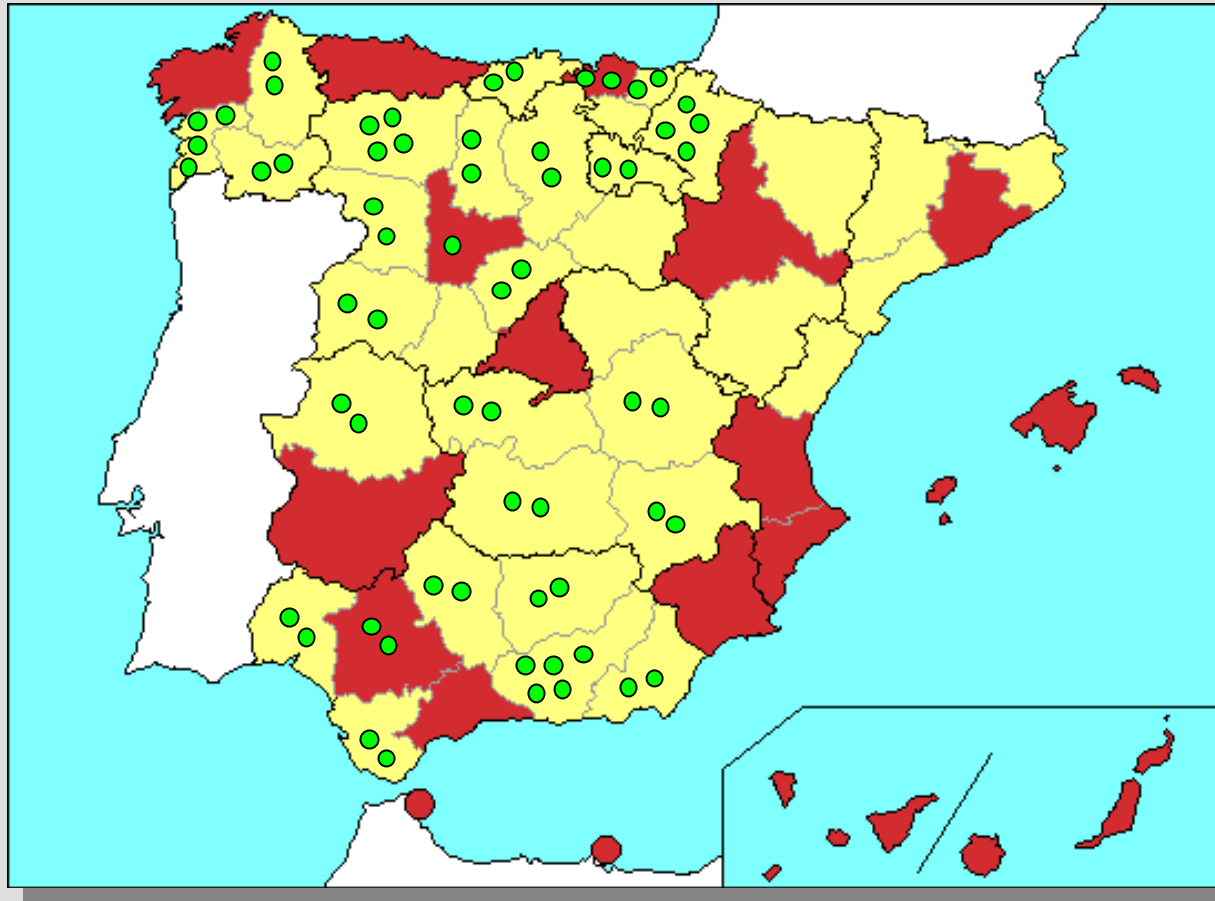


3.1 Characteristics

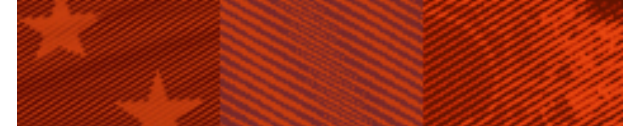
- They are deposits of banknotes owned by the Banco de España and stored at the CITs premises. Established in January 2005 .
- They make the logistics of cash between the Banco de España, the credit institutions and the CITs more fluid.
- They reduce the rate of re-use of banknotes, increasing the return frequency to the Banco de España.
- Contract between the Banco de España and the managing entity.
- Guarantee: the cash accounts that the banking system holds with the Banco de España.
- Restriction: Prohibition on extracting from the deposits any banknotes that have not previously been sorted by the Banco de España.
- Opening hours: From 7:00 am to 6:00 pm.

3. The auxiliary depositories of the Banco de España

3.2 Banco de España's distribution network



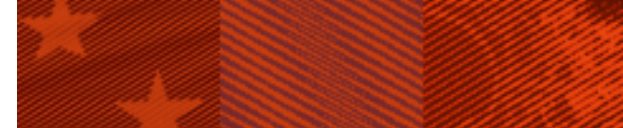
3. The auxiliary depositories of the Banco de España



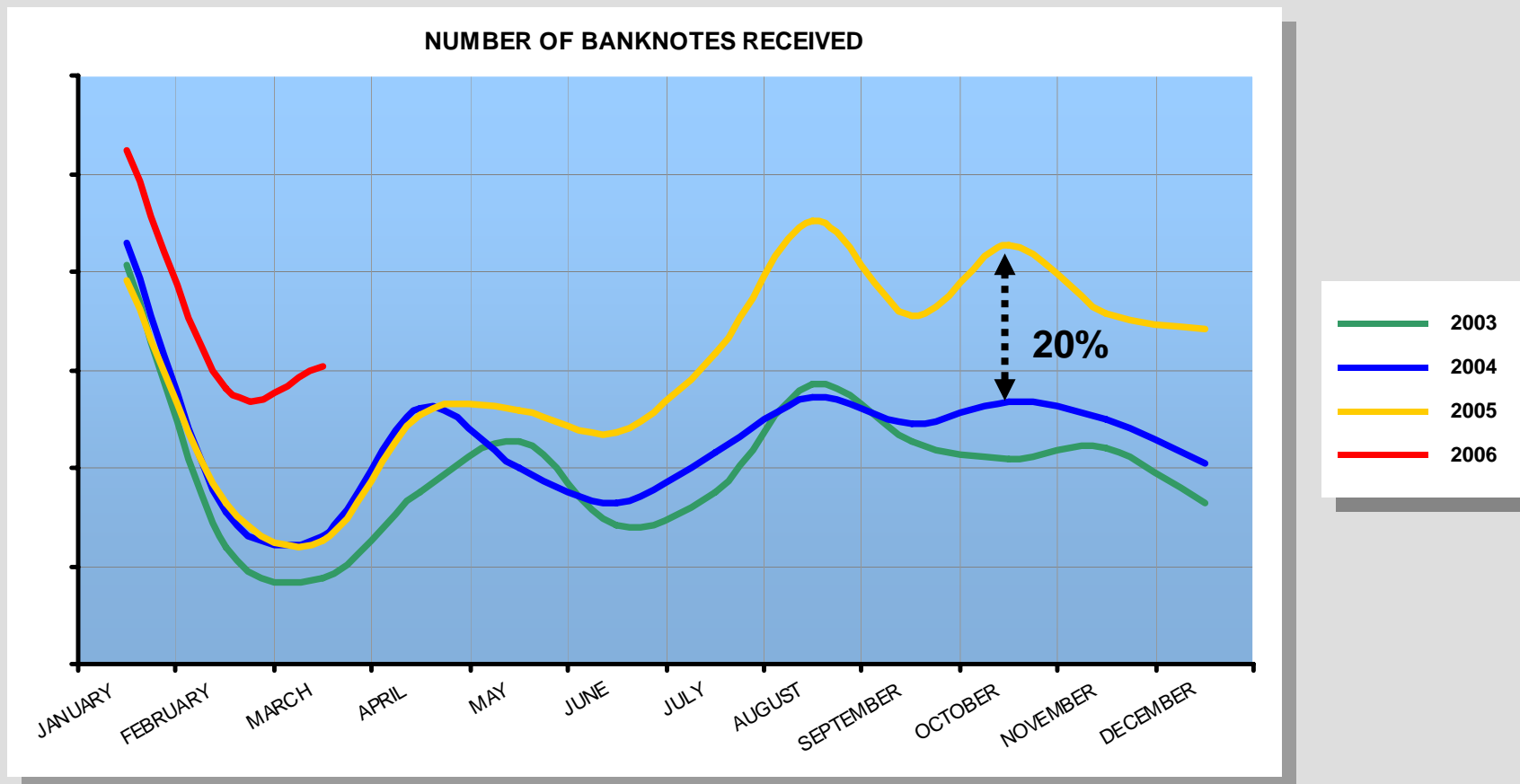
3.3 Basic figures

	1Q 2005	2Q 2005	3Q 2005	4Q 2005	May 2006
Centers	5	35	55	61	62
Cities	4	15	23	26	27
BE's branches associated	4	8	10	10	10
<i>STOCKS</i>					
Number of banknotes (million)	4	15	25	31	29
Million €	143	621	1.035	1.291	1.270
<i>RECEIPTS</i>					
Number of banknotes (million)	3	44	125	146	161
Value (in €)	101	1.507	4.332	5.041	5.751

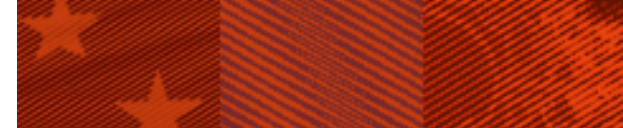
3. The auxiliary depositories of the Banco de España



3.3 Basic figures



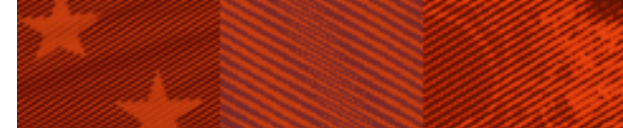
3. The auxiliary depositories of the Banco de España



3.4 Implications for credit institutions/CITs

- **Smaller volume of cash reserves.**
- **Longer period to withdraw and lodge banknotes at the Banco de España.**
- **Reduction of the transportation costs.**
- **Lower risks associated with the transportation of cash.**
- **Reduction of the processing tasks.**

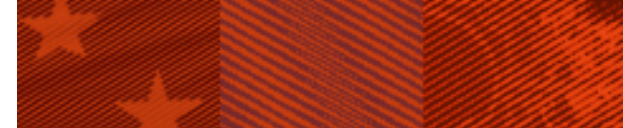
4. The Framework for recycling banknotes



4.1 Characteristics

- **Purposes.**
 - **Authenticity of banknotes**
 - **Quality of banknotes**
 - **Harmonization in Member States in 2007**
- **Banknotes distributed by ATMs provided by:**
 - **The Banco de España**
 - **Professionals if banknotes are sorted by machines to check the authenticity and the fitness**
- **Requirements of machines to be published in the ECB website:**
 - **Tested and approved by the Eurosystem**
 - **Banknote processing in packages**
 - **Classify without the intervention of an operator**
 - **Separate physically the suspect from genuine banknotes**
 - **Check the fitness according to the criteria of the Eurosystem**

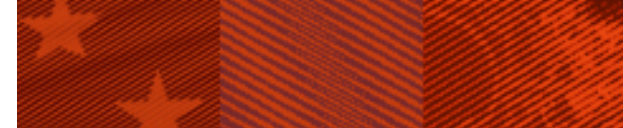
4. The Framework for recycling banknotes



4.2 Implications for CITs

- **Current cash recycling is not allowed**
- **Creation of a new agent:**
 - The professionals cash recycling agents
 - Contractual agreement between Banco de España and CITs
- **Publication of professional agents in the Banco de España's website**
- **Statistics requirements**
 - Number of banknotes {
 - *Processed*
 - *Recycled*
 - *Sorted to unfit*

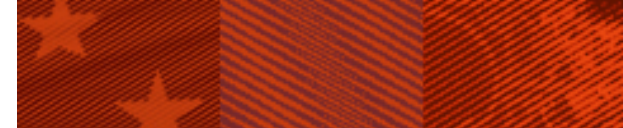
4. The Framework for recycling banknotes



4.3 Mile stones in 2006

- **6 April** Meeting Banco de España-Spanish CITs
- **May** Publication in the Banco de España web the successfully tested banknote handling machines
- **June-July** Preparatory work
- **September** Meeting Banco de España-Spanish CITs
- **October** Publication of a Circular of the Banco de España:
Professional Recycling Agents Certificate
- **November** Requests for certificates
- **December** Establishment of official cash recycling centres

5. Conclusions and Perspectives



- **Banknotes with more quality.**
- **Increase the role of the Banco de España in the cash cycle.**
- **Closer relationship Banco de España-CITs**
- **More participation of CITs in the cash cycle.**
- **Opening of Auxiliary Depositories in Madrid and Barcelona**
- **Certificate for Professional Recycling Agents.**
- **Official cash recycling centres.**

MARÍA LUISA LEYVA

THANKS FOR YOUR ATTENTION

BANCO DE **ESPAÑA**



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CASH AND ISSUE DEPARTMENT