



EUROPEAN CENTRAL BANK

Eurosystem measures towards a more efficient cash cycle

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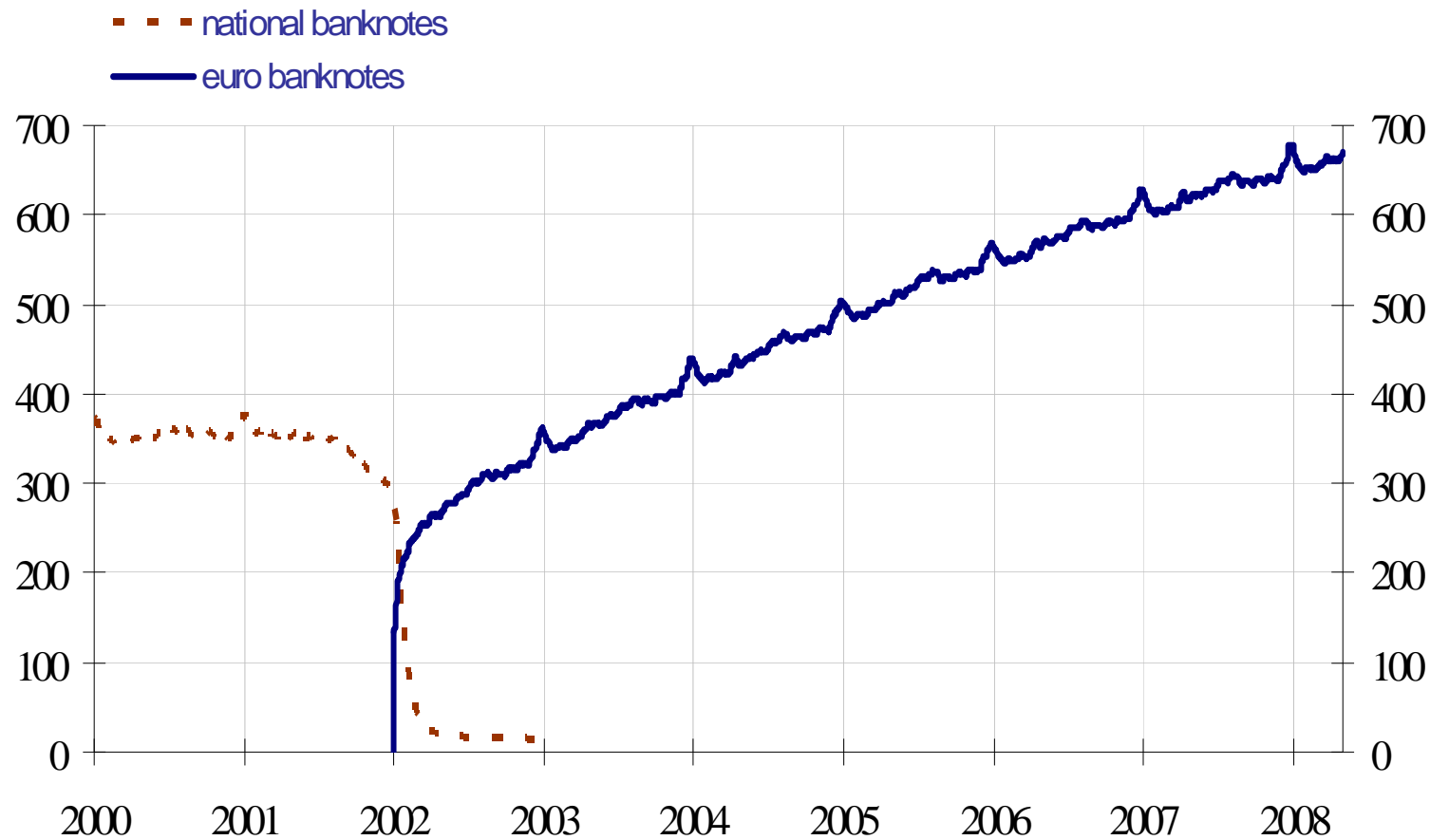
**2008 ESTA Conference,
Nice, 19 May 2008**

Outline

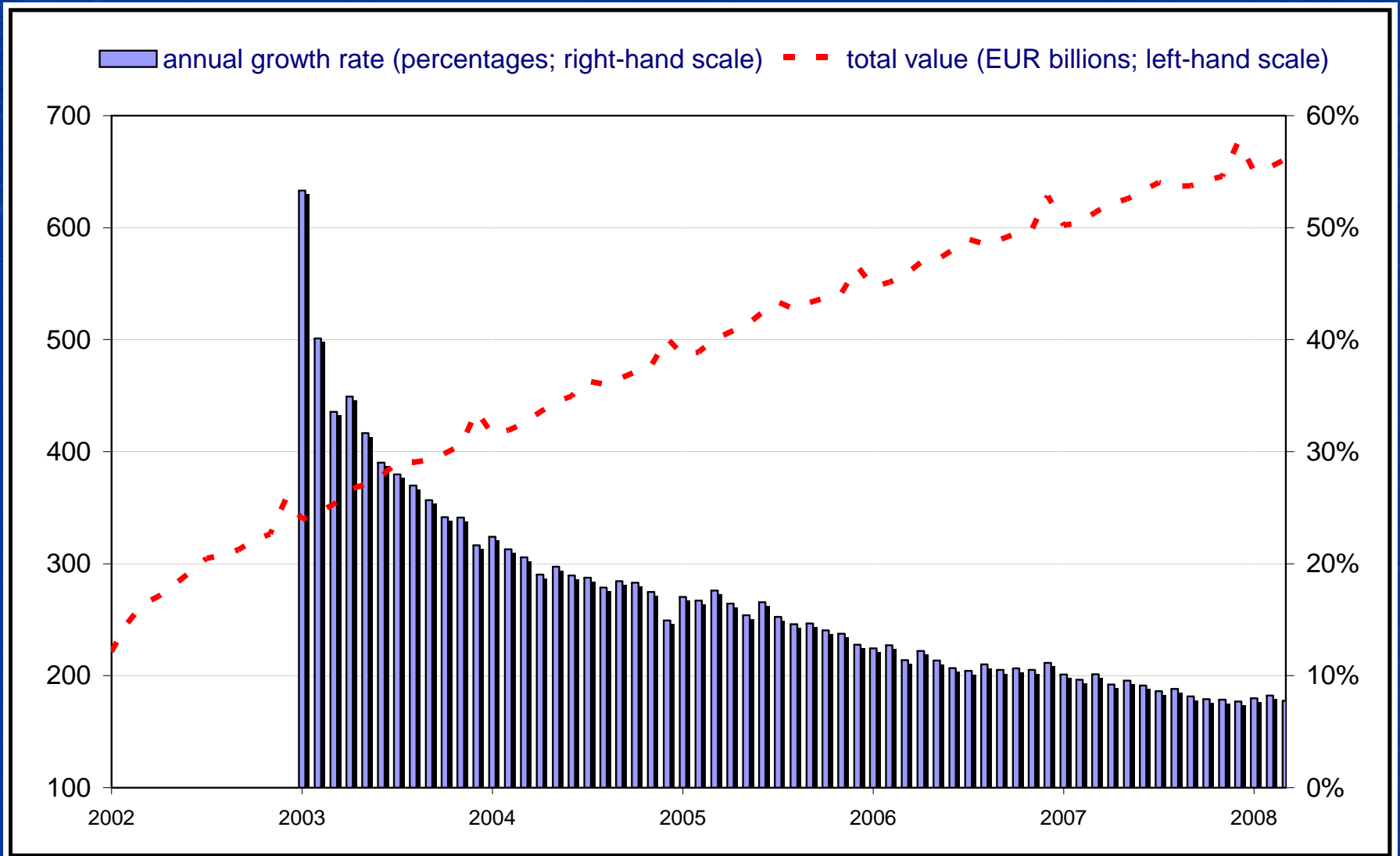
- **Circulation and counterfeiting of euro banknotes**
- **Eurosystem measures towards a more efficient cash cycle**
 - **Roadmap for more convergence of NCB cash services**
 - **Progress with the ECB banknote recycling framework**
- **Preparation of the second euro banknote series**

Total value of banknotes in circulation between 2000 and 2008 (EUR billions)

EUR billions

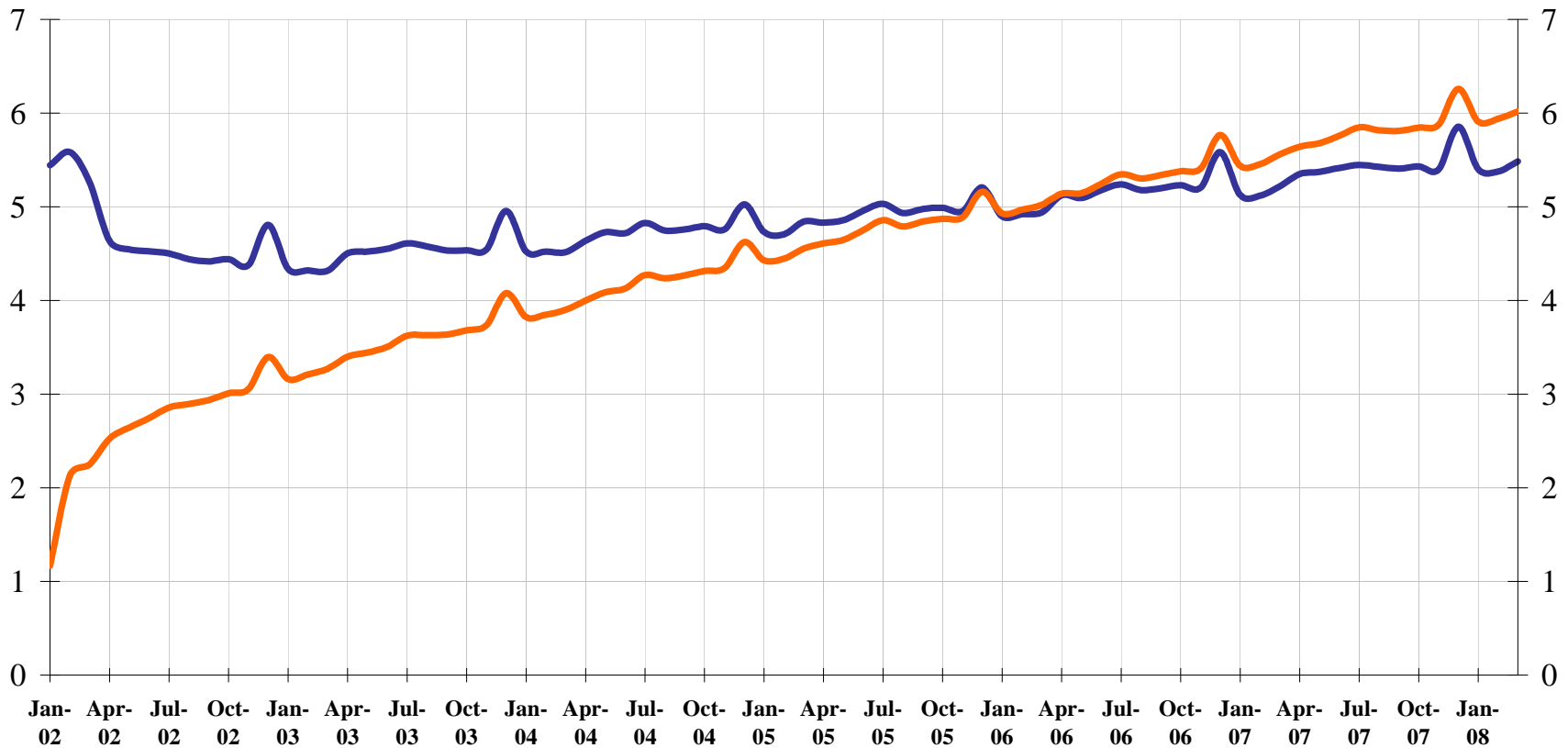


Development and growth rate of euro banknote circulation

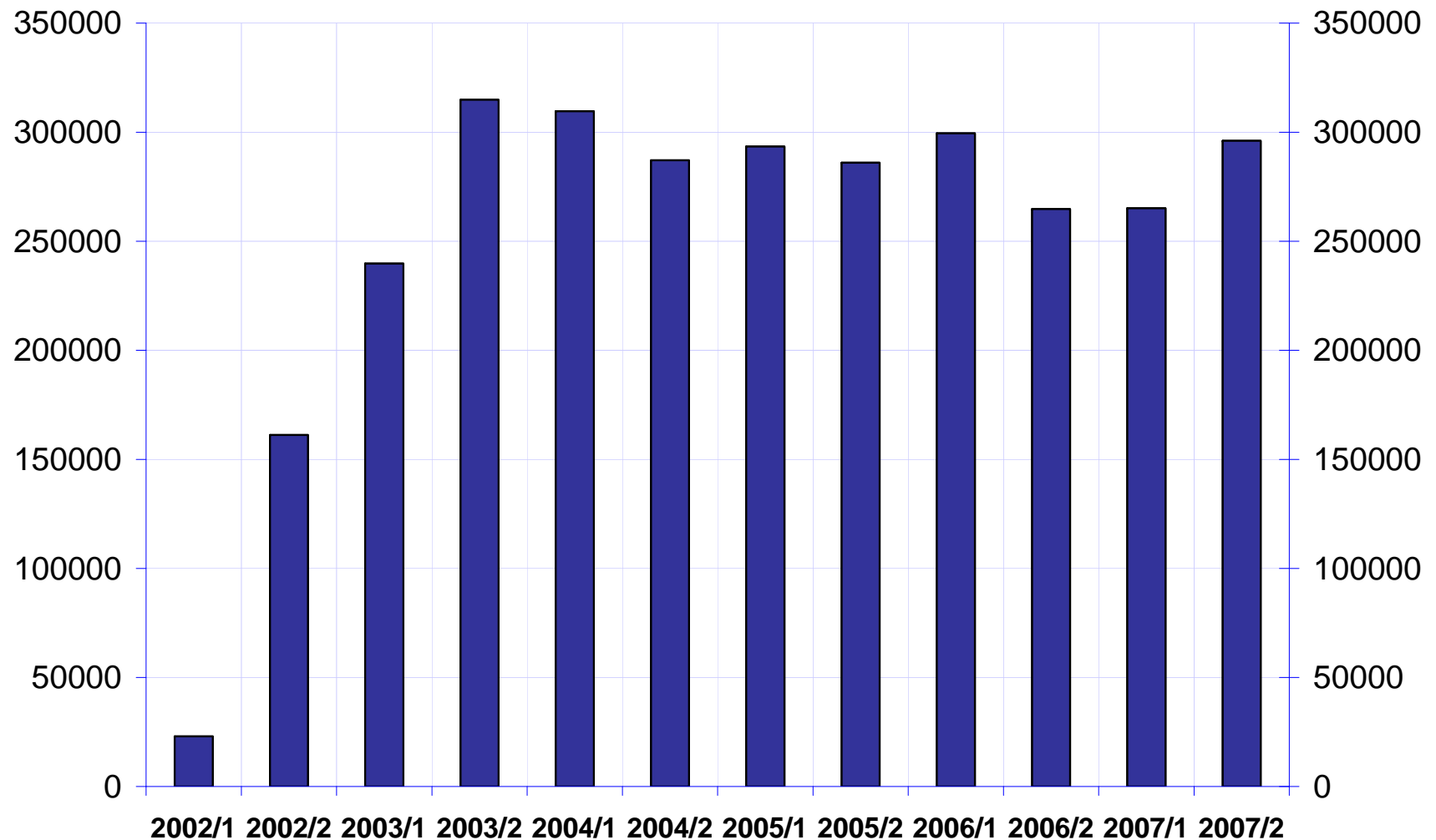


Euro banknotes in circulation between 2002 and 2008 (billions of

— Total EUR 20 - EUR 10 - EUR 5 — Total EUR 500 - EUR 200 - EUR 100 - EUR 50



Number of euro banknote counterfeits recovered from circulation 2002-2007



Roadmap for more convergence of NCB cash services

- The ECB Governing Council adopted in February 2007 a roadmap contributing, in the medium term, to more convergence of NCB cash services.
- The Eurosystem does not envisage to develop a "one-size-fits-all" cash supply system.
- The process of convergence will require flexibility regarding customer requirements, cash infrastructure and transitional periods for implementation.

Progress report on the roadmap in February 2008

- **Remote access to NCB cash services implemented in 2007 in the whole euro area**
- **Coin lodgements accepted from professional clients at all euro area NCBs in 2007**
- **Euro area NCBs will remove the requirement to face and orientate banknotes for lodgements and withdrawals at NCB counters as a basic free of charge service by 1 January 2011 at the latest.**
- **Some NCBs extended their opening hours based on consultations of national stakeholders.**

Roadmap: further measures under consideration

- **Harmonised approach regarding electronic data exchange between NCBs and credit institutions for cash lodgements and withdrawals**
- **Common banknote packaging standards for NCB free of charge cash services**

ECB banknote recycling framework (BRF)

- **Requirement for banks and other professional cash handlers to re-issue only banknotes which have been authenticated and fitness checked according to BRF standards**
- **In re-issuance by ATMs and cash recycling machines, fitness and authenticity checks done by successfully tested machine types in compliance with the BRF**
- **In over the counter transactions, fitness and authenticity checks done by trained staff or tested sorting machines**

Progress with the banknote recycling framework

- **NCBs' annual tests with manufacturers of all machine types to verify that new types of counterfeits can reliably be detected**
- **Test Deck updated every two months**
- **Machine types passing the test are published for 1 year on ECB webpage**
- **NCB on-site inspections at banks/professional cash handlers to audit machine settings and related working procedures**
- **Collection of statistical data from banks/professional cash handlers**

Challenge of the second euro banknote series (ES2)

- Quantum leap security features for the public
- High performing covert features for machine applications
- Improved durability of the lower denomination banknotes
- Dual approach: Enhancement of existing features and use of more advanced innovative features

ES2 basic decisions

- **The design will be based on the current artistic concept**
- **The note coin boundary will be retained**
- **The transition will be gradual**

Groups of denominations

Three groups of denominations:

- **Middle denominations €20, 50 and 100**
- **Low denominations €5 and 10**
- **High denominations €200 and 500**

The security features will be the same within the group and, as much as possible in all denominations.

Milestones achieved

- **Customer requirements defined**
- **Features industrially validated**
- **List of security features approved**
- **Design and origination phase started**

- **Q3 2008 - Design and origination planned to be completed**
- **Q3 2008 - Pilot printing planned to start**
- **Q3 2009 - Full production planned to start**
- **Jan 2011 - Planned issuance**

Summary

- **Stabil circulation growth and level of counterfeiting of euro banknotes**
- **More convergence of euro area NCB cash services**
- **Gradual implementation of the banknote recycling framework**
- **Preparation of the second euro banknote series in full progress**