Lessons learnt from the introduction of the Europa series and insights into the development of future euro banknotes

XV Meeting of Central Bank Treasurers

19 October 2021
Lessons learnt from the introduction of the ES2 series
Main lessons learnt (1)

- Launches of new (or upgraded) series should be organised in an efficient manner, so that **societal costs are limited** (e.g. combined launches of 2-3 denominations). Every time a banknote handling/sorting machine has to be adapted to a new denomination is expensive. Combined launches saves therefore a lot of money to retailers, Cash management companies and banks.

- **Parallel re-issuance** (meaning: re-issuing the old series as long as the banknotes are fit) reduces the launch volumes to be produced (“natural roll-over”), thus enabling **combined launches and quicker launches**. It will take then more time for all old series banknotes are replaced, but no good banknotes will be then destroyed.

- Do not forget: technical limitations of sorting machines & counterfeit threats.
Main lessons learnt (2)

• Parallel re-issuance of denominations is possible on **mono-denomination** sorting machines.

• Parallel re-issuance on current **multi-denomination** machines might be more challenging, especially if the new and old banknote series are not mixed ("separated out").

• We should look at **societal costs** and not at Central Bank costs alone, e.g. some investments or loss of sorting productivity should be accepted.

• **Decision on any scenario (e.g. parallel re-issuance or not) should be taken well in advance**, considering technical specifications (e.g. dimensions banknotes), counterfeiting risk, communication and costs of all stakeholders.
Main lessons learnt (3)

• Launch dates shall **not be communicated too far in advance** to allow for flexible project planning in case of technical or logistical problems.

• **Dimensions must not be changed** in order to facilitate dual handling of series. This is true even in a non-parallel issuance scenario as the remaining former series stocks will be issued, otherwise destruction of unused old banknotes.

• Stock management: when shall reduction of stocks of former series start? Not too early, as a shortage has to be avoided if the demand is increasing unexpectedly. Not too late, as otherwise it will take long before all unused banknotes are issued.
Development of future euro banknotes
Is there a need to develop new banknotes?

Cash will still play an important role as means of payment and as store of value in 2030.

We must stay ahead of the counterfeiters; regularly we have to upgrade the banknotes in order to preserve public confidence in cash.
Cash still the most frequently used payment instrument in the Euro area

3 out of 4 in-person payments in cash in euro area

Source: ECB, DNB (for population 18+), DBB 2017 (EA-19)
Notes: the category Others includes Mobile phone, credit transfer, direct debit and bank cheques
The Eurosystem’s Cash 2030 Strategy published in December 2020

The Eurosystem's Cash 2030 strategy aims to ensure good access to cash and its acceptance as a means of payment.

5 strategic objectives

Eurosystem ensures the issuance of cash

Eurosystem supports access to cash services (withdrawals and deposits) for all EA citizens and businesses

Eurosystem defines acceptance of cash as essential for the freedom of choice how to pay

Eurosystem ensures innovative and secure euro banknotes

Eurosystem ensures the health & safety of banknotes and endeavors to reduce cash’s environmental footprint
What are the objectives for the development?

Based on the **Eurosystem Cash 2030 Strategy**:

- To create attractive banknotes which Europeans can identify with – new theme and designs.
- To reduce the environmental footprint of euro banknotes.
- To have innovative security features and convenient banknotes.
Method

Scope: Countries covered: 10 selected euro area countries

- Population size: 86.24% of the euro area
- Accession to the euro area: 8 old + 2 more recent
- Support for the EMU: 4 high / 3 average and 3 low
- Knowledge about the ECB: 3 high + 5 average + 2 low
- Agreement the ECB takes into consideration the welfare of GP: 4 high + 4 average + 2 low
Groups

Retailers 1 group
30-50 yr.

General public
2 groups: 21-30 & 45-60 yr.
Discussion guide

The focus groups answered ca 30 questions based on the following topics:

• the overall perceptions of the current series
• the aesthetic appeal of the notes
• the perception and usefulness of the security features
• the emotional attachment to the banknotes
• the comparison with 7 non-EU currency against the ES2
• explore the possible appetite for change of the euro banknote design
I think it is a good idea, once you know what the gates and windows are about.

There are different eras, from the oldest to more recent, but really, they... do not touch the heart.

I think the banknotes look anonymous and somewhat cold, impersonal.

Nature has no limit. It could represent unity.

As a note, the euro is the best out of them, in terms of different sizes etc. The only thing that lets down is the theme.

Now that I have seen all the other currencies, I like the Euro even more. They are neutral and I don't identify with them – which is good.

I would prefer if there were personalities or animals that connect Europe and the European states. Something more people know.
Examples of themes and designs in the world of banknotes
Why?

To have attractive banknotes that European citizens can identify with and are proud to use as their money
Principles for creating a new theme and design

Transparency
Process and decisions explained to the public

Inclusiveness
Public at large & focus groups

Public engagement
Interactions with public at large and via surveys

Collaboration
ECB & NCBs & External experts
To reduce the environmental footprint via…

**Increasing the average lifetime of a banknote**
- For example stronger substrate and soil resistance

**Using raw materials and processes with less environmental impact**
- For example alternative fibres and printing plate production methods

**Enhancing the recyclability of used banknotes**
- Materials to be re-used for other products
Organisation of the development work

Regular banknote development activities
Producing concept banknotes based on up-to-date stakeholder requirements.
• Identification and monitoring of the stakeholder requirements,
• Development of new banknote themes and designs,
• Management of the feature and banknote development activities.

Production and issuance project
To be launched only when there is a decision to issue new banknotes.
Thank you for your attention